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IMPROVEMENT OF THE ADMINISTRATION OF THE PUBLIC AIRPORTS IN THE TERRITORY OF ALASKA

MAY 7, 1956.—Ordered to be printed

Mr. MAGNUSON, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany S. 742]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (S. 742) to improve the administration of the public airports in the Territory of Alaska, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

I. INTRODUCTION

The bill has two purposes: (*a*) To establish an effective local police force on Federal airports in the Territory, and (*b*) to place the fiscal operations of the airports on a more businesslike basis through a revolving fund using airport income to help defray expenses.

II. COMMITTEE AMENDMENTS

First committee amendment:

On page 2, line 10, strike out the period, substitute a colon in lieu thereof, and add the following:

> *Provided, however,* that as to all powers granted by this section, primary jurisdiction for the investigation of all Federal offenses under the investigative jurisdiction of the Federal Bureau of Investigation shall remain with the Federal Bureau of Investigation.

This proviso was suggested by the Department of Justice in order to guarantee that the police powers granted by the bill to employees of the Department of Commerce will not be exercised in such a manner as to interfere with the functions of the Federal Bureau of Investigation. Insertion of the proviso will not essentially limit the powers of arrest required by airport police.

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Second committee amendment:

On page 2, line 25, before the word "such", insert the following language:

> the unexpended balances of funds appropriated prior to the date of enactment of this section to carry out the purposes of this Act and

On page 3, line 1, before the word "made", insert the word "thereafter".

The purpose of this amendment is to enable the airport fund to include within its original assets any moneys available for obligation or expenditure from prior appropriations under the act. As pointed out by the General Accounting Office, the fund might otherwise have no cash to meet outstanding liabilities until new appropriations were made.

Third committee amendment:

On page 5, line 15, strike out "(1) and", and on lines 16 and 17 strike out the phrase "for contributions with respect to the service of any officer or employee for any period", substituting in lieu thereof the following language:

> on account of cases arising from injury, or death from injury, occurring

This amendment was adopted at the suggestion of the Civil Service Commission in order to require that the airport fund be liable for the whole of the Government's share of the cost of its employees' retirement system, including contributions to the civil-service retirement and disability fund based upon prior as well as current employee service. Other Government agencies and corporations which operate on a similar self-sustaining basis are currently liable for such additional contributions and your committee sees no reason to make a special exemption in the case of Alaska airport operations.

The amendment also includes a rewording of section 11 (e) (4) of the bill consistent with its applicability only to contributions to the employees' compensation fund administered by the Secretary of Labor.

Fourth committee amendment:

On page 3, line 3, and on page 6, line 13, substitute "1956" for "1955".

III. SUMMARY OF THE BILL

S. 742 was introduced at the request of the Department of Commerce to amend the act of May 28, 1948 (62 Stat. 277). There are two airports involved: Anchorage with 1,814 acres and Fairbanks with 1,631 acres. These fields are now handling over 150,000 scheduled passengers per year, with 300,000 anticipated by 1960. In addition, there is a considerable amount of private flying and other air operations. Both fields are outside the city limits of their respective towns and, therefore, outside municipal police jurisdiction.

Under existing law the airports are under control of the Department of Commerce, yet the Department has no authority to police these areas. The bill would grant such authority, which would be identical to that exercised at the Washington National Airport, and such as is normally granted to officials responsible for policing Federal reservations. The power to be granted would enable the appointment of uniformed police, give such officers the authority to make arrests, and to require violators of airport rules and regulations to deposit collateral for appearance in court.

The revolving fund proposal in the second part of the bill was first suggested in a report on Alaska business activities by the Bureau of the Budget, dated January 14, 1953. Under existing law, funds for the airports are provided directly by appropriations; revenues are paid into the Treasury as miscellaneous receipts. No distinction is drawn between appropriations for operation and maintenance, and appropriations to buy goods and services for resale to private customers. There are now 2 accounting systems, 1 for Government reporting, the other for management, and there is no comprehensive audit. GAO merely examines vouchers as to legality of expenditures.

The present accounting system does not reflect the financial results of operations and, according to the Bureau of the Budget, is therefore not conducive to sound business management. For example, the Bureau pointed out that a recent reduction in a CAA appropriation compelled the airport authorities to abandon an arrangement whereby power was purchased at wholesale rates from the city of Anchorage and resold to airlines and airport concessionaires at an annual profit amounting to $50,000.

The proposed revolving fund corresponds with accounting procedures employed by other business-type Government enterprises. The fund's capital would consist of the value of the airport's assets less liabilities as of the date of its establishment. Subsequent appropriations for operations under the act would be made to the fund, and receipts from the sale of services, rents, etc., to the public and to other Government agencies would be credited to the fund.

All expenditures under the act would be paid from the fund, as well as the Government's share of contributions to the civil-service retirement and disability fund and the employees' compensation fund for airport personnel.

IV. AGENCY COMMENTS

The Department of the Treasury, the Department of the Interior, and the Department of Labor have expressed no opposition to S. 742.

The General Accounting Office expressed concern that the operation of subsection (c) of section 11, whereby any excess capital in the airport fund is to be credited to the appropriation from which it was advanced, might remove from the control of Congress amounts far in excess of the fund's requirements. To forestall that possibility, it was suggested that a fixed ceiling be placed on the fund's authorized capital, any surplus to be returned to the Treasury at the close of each fiscal year. GAO also recommended a requirement that rates charged for airport services and supplies be fixed high enough to return, insofar as practicable, all costs, including depreciation, overhead, and other related expenses.

Although the above-mentioned suggestions may be theoretically sound, they appear to be based on the supposition that airport income can be made sufficient to equal or exceed costs of operation. Responsible officials indicate that this will not be the case, at least in the foreseeable future. For this reason, your committee believes that further amendment of the bill along lines recommended by the General Accounting Office would have no practical advantage at the present time.

The General Accounting Office also recommended deletion of the requirement for contributions from the airport fund to the civil-

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service retirement and disability fund and the employees' compensation fund. Both the Civil Service Commission and the Department of Labor have indicated their full support for this feature of the bill, and in view of the recent trend in the Government for requiring such contributions from agencies operating under a business-type budget it did not appear that GAO's criticism in this regard was particularly well founded.

A final change suggested by the General Accounting Office has been adopted in the second committee amendment.

A request by the Department of Justice for the inclusion of a proviso to section 10 of the bill for safeguarding the jurisdiction of the Federal Bureau of Investigation is met by the first committee amendment. The Department also suggested rewording section 10 (c) so as to allow the acceptance of a deposit of collateral only from persons arrested for violation of airport rules. This suggestion was not adopted since your committee believed it desirable to authorize the deposit of collateral by violators even where no formal arrests are made (as in the case of parking violations and other minor infractions).

THE SECRETARY OF COMMERCE,
Washington, January 18, 1955.

Hon. RICHARD M. NIXON,
President of the Senate,
Washington, D. C.

DEAR MR. PRESIDENT: It is requested that the enclosed proposed bill to improve the administration of the public airports in the Territory of Alaska be introduced in the Senate at your earliest convenience.

This bill would improve in two respects the administration of the airports operated at Fairbanks and Anchorage, Alaska, by the Department of Commerce:

1. It would authorize the establishment of an effective local police force on these two Government reservations; and
2. It would place the fiscal operations of the airports on a more businesslike basis, authorizing through a revolving fund the use of airport income to help defray airport expenses.

The 2 airports include substantial tracts of land, 1,814.72 acres for Anchorage, and 1,631.01 acres for Fairbanks International Airport; there are roads, installations, buildings, and equipment; the 2 airports handled about 150,000 scheduled airline passengers in 1951 and should handle an estimated 300,000 such passengers annually by 1960; in addition, there is a substantial amount of private flying activity, irregular operations and bush-pilot flying at both of the airports. These facts indicate that the airports are busy communities with a substantial need for police protection. Both of the airports are outside the city limits of the municipalities from which they derive their names and are thus outside the jurisdiction of the local police. Under section 4 of the organic act of the airports (act of May 28, 1948), control over, and responsibility for, the care and protection of the Anchorage and Fairbanks International Airports is a function of the Department of Commerce. The discharge of this responsibility requires the exercise of correlative authority to engage in normal police activities. At present the Secretary of Commerce has no such authority. The proposed new section 10 for the organic

act of the airports, in the enclosed draft, would provide the Secretary of Commerce with authority—

1. To appoint uniformed, armed police officers to serve at the airports.
2. To permit such police officers to make arrests on the airports.
3. To permit the commanding police officers to require violators of the rules and regulations of the airports to deposit collateral for appearance in court.

This authority is identical with that presently exercised by the Secretary of Commerce at Washington National Airport and that normally granted to other officials responsible for furnishing police protection on Federal reservations.

Section 11 of the organic act of the airports, as proposed in the enclosed draft, would provide a revolving fund for the deposit of income from the airports to help defray their expenses. This method of financing the operations of the airports was recommended by the Bureau of the Budget in its report on the Government's Alaska business activities submitted to the House Committee on Appropriations at its request on January 14, 1953 (H. Rept. 2316, 82d Cong., 2d sess.).

The Bureau of the Budget's report stated (in part):

"An airport is a complex business enterprise. A wide variety of services must be furnished to airlines, concessionaires, and the traveling public. The operation of the landing area is only one aspect of airport management. It is generally acknowledged that if an airport is to be self-sustaining, all sources of potential revenue must be fully exploited, including sale of power, water and other utilities, concessions for restaurants, stores, fuel handling and other services. To function with maximum effectiveness, an airport requires much the same flexibility as any other business activity. The Alaska international airports do not have this flexibility and are treated with respect to financing, budget, accounts, and audit in exactly the same way as a governmental program with none of the characteristics of a business.

"Present laws and regulations applicable to the airports are not conducive to sound business management. For example, the Government may be placed in a position where it has to lose money for the sake of economy. All funds for the airports are provided from appropriations, and revenues are paid into miscellaneous receipts of the Treasury. Reduced appropriations in 1952 compelled the CAA to abandon an arrangement whereby it purchased power at wholesale rates from the city of Anchorage and sold it at a profit to airlines and concessionaires at the airport. This will result in an annual net loss of more than $50,000 to the Government. Under existing law no distinction is drawn between appropriations to be spent for operation and maintenance of the airport and appropriations to buy goods and services for resale to private customers. Management has little or no incentive vigorously to seek increased revenues, when the net effect is to deplete the amount of appropriations available for other purposes.

"The type of budget presented by the airports does not adequately disclose the financial results of operations. It is impossible to tell from the budget whether the airports are operating at a profit or a loss. There is no basis for analyzing rates and fees. A business type budget would enable the Congress and the executive branch to exercise more effective control over the airports.

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"The airports are maintaining two accounting systems—one for Government reporting, and the other for management. The CAA has prescribed a system of commercial accounts which is used to supply cost data for internal management purposes. All costs are reflected in these accounts, including depreciation and interest on the total Government investment.

"There is no independent commercial or comprehensive audit of the airports. The existing GAO audit is limited to examination of vouchers with a view to determining the legality of expenditures."

The report concluded that these difficulties could be considerably reduced by the establishment of a revolving fund for the airports, and further that—

"The Anchorage and Fairbanks Airports will be carrying on limited operations for the next 2 or 3 years. It cannot be anticipated that the airports will be self-supporting until terminal buildings, hangars, utilities, and other essential facilities are completed, and air commerce in Alaska is more fully developed.

In order to avoid placing a disproportionate burden on users of the Alaska airports, allowance should be made for the fact that comparable public airports receive substantial grants from the Federal Government. Public airports do not pay interest or recover depreciation on federally financed facilities. It is suggested that a portion of the investment in the Alaska airports, determined on the basis of the median percentage of Federal grants to public airports of a similar class, be considered as a Federal contribution toward the development of civil aviation."

The proposed section 11 of the enclosed bill would implement these recommendations of the Bureau of the Budget, in which the Department of Commerce concurs.

Under the circumstances, the Department of Commerce recommends early and favorable consideration by the Congress of the enclosed proposed legislation.

The Bureau of the Budget has advised us that it has no objection to the submittal of this proposal to Congress.

Sincerely yours,

SINCLAIR WEEKS,
Secretary of Commerce.

TREASURY DEPARTMENT,
Washington, March 11, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Reference is made to your letter requesting the comments of the Treasury Department on S. 742, a bill to improve the administration of the public airports in the Territory of Alaska.

The bill would amend the act of May 28, 1948 (62 Stat. 277), as amended, to provide the Secretary of Commerce with certain authority to administer the public airports in the Territory of Alaska.

The proposed legislation does not primarily concern the Treasury Department, and it has no comments to make with respect to the merits of the bill. However, the fiscal provisions of section 11,

which would be added by the bill to the act of May 28, 1948, as amended, have been noted and they appear to present no serious administrative difficulties to the Treasury Department.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

MARION B. FOLSOM,
Acting Secretary of the Treasury.

DEPARTMENT OF JUSTICE,
March 24, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

DEAR SENATOR: This is in response to your request for the views of the Department of Justice concerning the bill (S. 742) to improve the administration of the public airports in the Territory of Alaska.

The bill would amend the act of May 28, 1948 (62 Stat. 277; 48 U. S. C. 485–485h) as amended, which authorized the construction, protection, operation, and maintenance of public airports in the Territory of Alaska. Provisions of this statute which are pertinent to the consideration of the bill include section 10 authorization of appropriations, section 4 power to make rules and regulations, and section 8 making certain violations of such rules and regulations a misdemeanor and providing a fine up to $500 or imprisonment up to 6 months, or both such fine and imprisonment.

Section 10 of the statute would be stricken by the bill and 2 new sections 10 and 11 would be added. The new section 10 would provide authorization for arrests to be made on airports by certain employees of the Department of Commerce, the carrying of firearms by such arresting officers and under certain circumstances the acceptance of collateral from a person charged with a violation. The new section 11 would provide for the establishment of an Alaskan airport fund, for the maintenance of such fund, and for the purposes for which the fund might be used.

Whether legislation to accomplish the general purposes of the bill should be enacted presents a question of policy on which the Department of Justice prefers to make no recommendation. There are certain features of the bill, however, to which you may wish to give further consideration.

Section 10 (c) of the bill provides that the officer designated by the Secretary may accept deposit of collateral from a person charged with a violation of a regulation "for appearance in court or before the appropriate United States commissioner." While the meaning of this section is not clear, the implication is that the authority of the designated officer is to be limited to the acceptance of collateral after arrest for appearance in court or before the United States commissioner. In order to remove any ambiguity, it is suggested that the words "charged with the" in section 10 (c) be changed to "arrested for a".

Also, it is noted that while the powers of arrest given by section 10 to certain designated employees would be limited to arrests made on the airports for crimes committed there, the effect would be to give

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these officers concurrent jurisdiction with the Federal Bureau of Investigation in a large number of potential cases ranging through the criminal field from theft to espionage and sabotage. The danger here is that the Federal Bureau of Investigation might be investigating a criminal case with wide-flung ramifications and it would develop in such a manner that the employees of one of these airports could arrest one or more of the subjects for that part of the crime technically committed on an airport, to the detriment and jeopardy of the entire case as investigated by the Federal Bureau of Investigation.

Accordingly, it is recommended that the following proviso be added at the end of section 10 of the bill:

"*Provided, however,* That as to all powers granted by section 10 of the Act, as amended, primary jurisdiction for the investigation of all Federal offenses under the investigative jurisdiction of the Federal Bureau of Investigation shall remain with the Federal Bureau of Investigation."

This proviso would not result in interference with the police duties usually exercised by a guard force like that covered in the bill and would enable the Federal Bureau of Investigation to retain control of those cases whose importance may extend far beyond any violation committed on airport property.

The Bureau of the Budget has advised that there is no objection to the submission of this report.

Sincerely,

WILLIAM P. ROGERS,
Deputy Attorney General.

UNITED STATES CIVIL SERVICE COMMISSION,
Washington, D. C., April 4, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

DEAR SENATOR MAGNUSON: I am referring further to your letter of January 26, 1955, relative to S. 742, a bill to improve the administration of the public airports in the Territory of Alaska.

The bill would amend the act of May 28, 1948, by establishing in the Treasury an Alaskan airports fund, to which will be credited (1) such amounts as may be advanced to it from appropriations for that purpose, (2) the value of the assets of the airports, less liabilities as of July 1, 1955, and (3) receipts from operations under the act.

The bill then proposes (new sec. 11 (e) (1)) that contributions shall be made from the fund to the civil-service retirement and disability fund, on the basis of annual billings as determined by the Civil Service Commission, for the Government's share of the cost of the civil-service retirement system applicable to the officers and employees of the airports and their beneficiaries. The Government's share of the cost of the civil-service retirement system consists of a current service cost and a past service cost. Section 11 (e) (4) as added by the bill, would limit the fund's liability to the current service cost of retirement.

Contributions to the civil-service retirement and disability fund, for the Government's share of the total cost of the retirement system as regards their employees, are now being made by the District of

Columbia government, the Panama Canal Company, the Virgin Islands Corporation, the Small Business Administration, and the St. Lawrence Seaway Development Corporation.

The proposal that the Alaskan airports fund recognize retirement costs is in line with the current trend with respect to Government corporations and similar entities operating on a self-sustaining or self-supporting basis. The making of contributions for the Government's share of retirement costs for these employees appears entirely proper in view of the nature of this operation, which would be administered on that basis by the Secretary of Commerce. No reason is apparent, however, why this particular fund should meet less than the total retirement cost when the laws under which the other named organizations pay the Government's share do not exclude past service liabilities. We therefore recommend that the words "(1) and" be deleted from proposed section 11 (e) (4) as added by the bill. If the words "(1) and" are deleted as proposed, the Commission would annually bill the Alaskan airports fund on precisely the same basis as it estimates annual requirements for the balance of the Government. We believe this is one of the objectives to be attained by the bill.

With this change, the Commission favors enactment into law of the stated provision in S. 742.

The Bureau of the Budget advises that there would be no objection to the submission of this report to your committee.

By direction of the Commission.

Sincerely,

PHILIP YOUNG, *Chairman.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, May 9, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: Your letter of January 27, 1955, requested our comments on S. 742, 84th Congress, relating to the administration of the public airports in the Territory of Alaska.

We have no information on the need or desirability of the policing authority which would be granted the Secretary of Commerce under section 10 of the act of May 28, 1948 (62 Stat. 277), as redrafted in this bill. However, this policing authority would be identical with that presently exercised by the Secretary of Commerce at the Washington National Airport under the act of May 15, 1947 (61 Stat. 94).

The new section 11 proposed to be added to the cited act of May 28, 1948, would establish a revolving fund to be known as the Alaskan airports fund to carry out the purposes of that act. We favor the use of revolving funds to finance business-type activities and believe that the proposed revolving fund would be advantageous. However, there are various aspects of this fund which need consideration and possible clarification.

Under subsection (a) of section 11, the fund would assume the assets of the airports, but not the liabilities. Such assets apparently will not include any of the unexpended balances of appropriations presently available for obligation or expenditure purposes. All liabilities existing as of June 30, 1955, would thus be payable from prior

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appropriations and there would be no cash, except for current receipts, available for operating expenses after June 30, 1955, until new appropriations were made pursuant to subsection (g). We believe that the fund should assume all existing liabilities and that at least the obligated, if not the unexpended, balances of open appropriations should be transferred to the fund.

Under subsection (c), any excess capital in the fund, as determined by the Secretary of Commerce, would be credited to the appropriation from which it was advanced and held for future advances. This might possibly remove from the appropriating power of Congress amounts far in excess of reasonable needs of the fund and require the maintenance of such appropriation as an open account for an indefinite number of years. We suggest that a ceiling be fixed on the authorized capital of the fund and that following the close of each fiscal year any net income, after the restoration of any impairment of the capital, be deposited into the Treasury as miscellaneous receipts.

Also, it is suggested that a specific provision be included requiring that services and supplies be furnished at rates sufficient to return, insofar as practicable, all costs, including overhead and related expenses, depreciation of plant and equipment and interest on capital investment. Also, while it is assumed that the fund will be required to recover depreciation on, and costs of operating and maintaining, facilities represented by capital allocable to national defense or determined to be the equivalent of maximum grants-in-aid permitted under the Federal Airport Act, which capital is exempted from the interest-paying requirement contained in subsection (b), it might be desirable to include a specific provision to that effect.

We are not in favor of the requirement in subsection (e) that the fund should reimburse (1) the civil-service retirement and disability fund for the Government's share of the cost of the civil-service retirement system applicable to officers and employees of the airports and their beneficiaries, (2) the employee's compensation fund for benefit payments applicable to officers and employees of the airports and their beneficiaries, and (3) the United States Treasury for the administrative expenses involved. The costs involved are as a matter of law the responsibilities of the agencies administering these funds. To require these agencies to be responsible for the management of the retirement and disability fund and the employees' compensation fund and to justify the entire costs and operations thereof before the Congress each fiscal year promotes better management. In our opinion, there is no merit in developing an inconsistent pattern whereby some governmental organizations would be required to make such payments while others are not required to do so.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., May 10, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

MY DEAR SENATOR MAGNUSON: We are glad to comply with your request for a report on S. 742, a bill to improve the administration of the public airports in the Territory of Alaska.

The Department of the Interior has no objection to the enactment of the bill.

The bill would amend the act of May 28, 1948 (62 Stat. 277), relating to the airports operated by the Department of Commerce near Fairbanks and Anchorage, Alaska. The amendments would permit the Secretary of Commerce to provide police protection to the airport areas which are outside the jurisdiction of the local police for the municipalities of Fairbanks and Anchorage and would establish an Alaskan airports fund for the purpose of placing the fiscal operations of the airports on a more businesslike basis.

It appears that the only provision of the bill that would have a direct effect upon this Department is that authorizing the Secretary of Commerce to charge Government agencies for the use of the facilities and services of the airports. We have no objection to that provision.

We understand that the method of financing the operations of the airports proposed by the bill was recommended by the Bureau of the Budget in its report on the Government's business-type activities in Alaska.

We have been informed by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Sincerely yours,

FRED G. AANDAHL,
Assistant Secretary of the Interior.

DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, April 27, 1956.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

DEAR SENATOR MAGNUSON: This is in reply to your request for my comments on S. 742, a bill to improve the administration of the public airports in the Territory of Alaska.

The only provisions of this bill which directly concern the Department of Labor are those portions of section 11 (e) which deal with contributions from the Alaska airports fund to the employees' compensation fund and to the Treasury. These contributions would be made, on the basis of annual billings by the Secretary of Labor, for benefit payments under the Federal Employees' Compensation Act, and certain costs of administration.

It is my belief that charging Government agencies with their workmen's compensation losses provides a means of bringing about a substantial reduction of occupational accidents in Federal service by

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making agencies more safety minded. There are several statutory precedents for provisions of the type contained in section 11 (e) of S. 742, and I would have no objection to its enactment.

I think the committee should be made aware that the whole problem of charging Federal agencies with the costs of their accident losses has been under study in this Department. As a result, a bill (S. 3582), embodying the Department's recommendations in this respect has recently been introduced by Senator Smith of New Jersey, for himself, Senator Bridges and Senator Saltonstall, and referred to the Committee on Labor and Public Welfare. This bill would charge all Government agencies with the cost of benefits under the Federal Employees' Compensation Act. If this measure were enacted, the provisions of S. 742 referred to above would be unnecessary.

The Bureau of the Budget advises that it has no objection to the submission of this report.

Sincerely yours,

JAMES P. MITCHELL, *Secretary of Labor.*

A Civil Service Commission recommendation regarding contributions to the civil-service retirement and disability fund has been adopted in the third committee amendment.

V. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

SECTION 10 OF THE ACT OF MAY 28, 1948 (62 STAT. 279; 48 U. S. C. 485) AS AMENDED

[SEC. 10. There is hereby authorized to be appropriated the sum of $17,000,000 for the purpose of carrying out the provisions of this Act, said appropriation to remain available until expended. There are hereby authorized to be appropriated from year to year such sums as may be necessary for the proper maintenance, improvement, protection, control, and operation of said airports or as may be otherwise necessary to carry out the purposes of this Act.]

SEC. 10. (a) The Secretary of Commerce (hereinafter referred to as "the Secretary") and any employee of the Department of Commerce appointed to protect life and property on the airports, when designated by the Secretary, are hereby authorized and empowered (1) to arrest under a warrant within the limits of the airports any person accused of having committed within the boundaries of the airports any offense against the laws of the United States, or against any rule or regulation prescribed pursuant to this Act; (2) to arrest without warrant any person committing any such offense within the limits of the airports, in his presence; or (3) to arrest without warrant within the limits of the airports any person who, he has reasonable grounds to believe, has committed a felony within the limits of the airports. Provided, however, That as to all powers granted by this section, primary jurisdiction for the investigation of all Federal offenses under the investigative jurisdiction of the Federal Bureau of Investigation shall remain with the Federal Bureau of Investigation.

(b) Any individual having the power to arrest as provided in subsection (a) of this section may carry firearms or other weapons as the Secretary may direct or by regulation may prescribe.

(c) The officer on duty in command of those employees designated by the Secretary as provided in subsection (a) of this section may accept deposit of collateral from any person charged with the violation of any rule or regulation prescribed under this Act, for appearance in court or before the appropriate United States Commissioner; and such collateral shall be deposited with such United States Commissioner.

SEC. 11. (a) To carry out the purposes of this Act, there is authorized to be established an Alaskan Airports Fund (referred to hereinafter as the 'fund'). The capital of the fund shall consist of the unexpended balances of funds appropriated prior to the date of enactment of this section to carry out the purposes of this Act and such amounts as may be advanced to it from appropriations thereafter made for that purpose, together with the value of the assets of the airports, less liabilities as of July 1, 1956. The value of the assets shall be determined by the Secretary of Commerce, subject to the approval of the Director of the Bureau of the Budget, taking into consideration original cost, less depreciation, the usable value to the airports if clearly less than cost, obsolete and unusable facilities and equipment, and other reasonably determinable factors which would reduce the value of the assets of the airports.

(b) Unless the Congress otherwise directs, the Secretary shall pay into miscellaneous receipts of the Treasury at the close of each fiscal year, interest on the capital of the fund at a rate determined by the Secretary of the Treasury, taking into consideration the average yield to maturity (on the basis of daily closing market bid quotations during the month of June of the preceding fiscal year) on outstanding marketable obligations of the United States having a maturity date of fifteen or more years from the first day of such month of June; except that no interest shall be payable on that portion of the capital which the Secretary determines to be properly allocable to national defense, nor on that portion which the Secretary determines to be equivalent to the Federal grants-in-aid that would have been received if the airports had been built and developed in their entirety subsequent to enactment of the Federal Airport Act and under its provisions by a local public agency with maximum Federal grants-in-aid. The determinations of the Secretary under this subsection shall be subject to the approval of the Director of the Bureau of the Budget.

(c) Whenever any capital in the fund is determined by the Secretary to be in excess of the current needs of the airports, such capital shall be credited to the appropriation from which it was advanced, where it shall be held for future advances. The capital of the fund shall be considered reduced by the net amount of such credits.

(d) Receipts from operations under this Act shall be credited to the fund. The Secretary is authorized to charge any Government agency for facilities and services at the rates charged to the public, or to charge a lump sum which in the aggregate would approximate the total of the individual charges incurred by the using Government agency; except that no charge shall be made for services equivalent to those required to be rendered without charge by comparable public airports which have received grants-in-aid under the Federal Airport Act. The fund shall be available for payment of all expenditures of the Secretary under this Act.

(e) (1) Contributions shall be made from the fund to the civil-service retirement and disability fund, on the basis of annual billings as deter-

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mined by the Civil Service Commission, for the Government's share of the cost of the civil-service retirement system applicable to the officers and employees of the airports and their beneficiaries.

(2) Contribution shall be made from the fund to the employees' compensation fund, on the basis of annual billings as determined by the Secretary of Labor, for the benefit payments made from such fund on account of the officers and employees of the airports and their beneficiaries.

(3) Each such annual billing for contributions under (1) and (2) of this subsection shall include a statement of the fair portion of the cost of the administration of the fund with respect to which such billing is made, and a sum equal to such fair portion of the cost shall be paid by the fund into the Treasury as miscellaneous receipts.

(4) The fund shall not be liable under (2) of this subsection on account of cases arising from injury, or death from injury, occurring prior to the effective date of this section, nor for payments for administrative costs with respect to any period prior to such effective date.

(5) In carrying on the activities authorized by this Act, the Secretary shall utilize, to the extent practicable, the available services and facilities of other agencies and instrumentalities of the Federal Government on a reimbursable basis.

(f) Appropriations are hereby authorized for payment of such amounts as may be shown in the annual budget program of the airports as necessary to cover actual losses of prior years sustained in the conduct of its activities under this fund. Amounts appropriated to the fund under authority of this subsection shall not be added to the amount of advances and shall not require payment of interest under subsection (b) of this section.

(g) Such sums as may be required to carry out the purposes of this Act are authorized to be appropriated without fiscal year limitations, to remain available until expended. Advances shall be made to the fund from the appropriations made therefor when requested by the Secretary. This Act shall take effect July 1, 1956.

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Calendar No. 1974

84TH CONGRESS, 2d Session | SENATE | REPORT No. 1954

AMENDING THE MERCHANT MARINE ACT OF 1936, AS AMENDED

MAY 7, 1956.—Ordered to be printed

Mr. MAGNUSON, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany S. 1833]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (S. 1833) to amend the Merchant Marine Act of 1936, as amended, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

PURPOSE OF THE BILL

This bill, as introduced, was identical to S. 1878 as passed by the Senate in the 83d Congress. It would establish a single standard of evaluation for vessel war-risk insurance purposes and for vessel requisition for title by the United States during any national emergency or whenever the President shall proclaim that the security of the national defense makes it advisable. Existing law permits the value of requisitioned vessels to be determined by the "just compensation" value of section 902 (a) of the Merchant Marine Act, and the determination of war-risk insurance losses by the "fair and reasonable value" of section 1209 (a) of the same act. S. 1833 retains the "just compensation" value for requisitioned vessels under section 902 (a) and establishes a "stated valuation" as determined by the Secretary of Commerce for war-risk insurance losses, which "stated valuation" shall not exceed the "just compensation" value. Thus a single maximum standard of valuation is established for both categories, i. e., vessels requisitioned for title and vessels requisitioned for use and subsequently lost. A construction differential subsidy vessel requisitioned for title would remain subject to the provisions of section 902 (b) but such a vessel requisitioned for use and subsequently lost would be governed by the provisions of S. 1833. The owners of vessels built with construction differential subsidy would receive a stated valuation not to exceed "just compensation" as contemplated

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by section 902 (a) on the basis of the proportion (percent) that the owner's investment bears to the total construction (including capital improvements) costs of the vessel as compared (percent) to the total construction subsidy contributed by the Government. In other words, any enhancement or increase in value due to world market economic factors (and not prohibited by sec. 902 (a)) would accrue to non-construction-subsidy vessel owners and construction subsidy vessel owners alike, percentagewise, on the basis of their investment in the ship.

Section 1 of the bill also provides that if the owner of a vessel rejects the "stated valuation," such rejection must occur within 60 days "after the attachment of the insurance under said policy or within 60 days after determination of such valuation by the Secretary, whichever is later." The bill further provides that if the owner of a vessel rejects the administrative determination of just compensation, he is entitled to receive 75 percent of the "stated valuation" and to sue the United States to recover such valuation as would be equal to "just compensation" as determined by the court utilizing the yardstick contained in section 902 (a). As the Comptroller General points out in his letter dated July 27, 1955, recommending favorable consideration of the bill, the action in the court shall be a de novo proceeding so that if the amount already received by the owner exceeds the court's judgment, the Government will recover such excess. Clarence G. Morse, Maritime Administrator, speaking on behalf of the Department of Commerce at the hearing stated in regard to the fixing of the "stated valuation" in the policy [italic added]:

> Mr. MORSE. It is happenstance to the owner whether the Government requisitions for title at the inception of war, or whether it merely requisitions for use. The result to the owner should be the same. He shouldn't receive one value if it is requisitioned for title and a different value in the event it is requisitioned for use and the vessel is subsequently lost.
>
> In cases where the insured does not reject the valuation, under the existing war-risk insurance interim binders, although dollar values are stated in the binders for the purpose of fixing limits of liability for certain types of claims and calculating the premiums, the total loss claim is subject to the limitations, not only of section 902 just-compensation valuation provisions, but, under the current maritime activities appropriation acts, to section 902 provisions as interpreted by the General Accounting Office. Thus, although the insured is required to pay premiums based on an "agreed" value, he has no assurance that he will be paid that value in the event of a total loss, and the Government maximum liability is unsettled. Because of this situation as to valuation of vessels, for the purpose of fixing premiums and liability for total loss, the value must necessarily be left open as provided in the present insurance interim binders.
>
> The bill should be amended to provide *that the total loss value of each vessel insured under the war-risk insurance program shall be specified in the insurance policy by the Secretary of Commerce before the insurance attaches*, thus fixing finally beyond controversy the maximum amount to be paid in the

event of a total loss, except where the insured rejects, as permitted in the bill, the valuation within the specified time of 60 days.

The CHAIRMAN. Suppose he does object. Then what is his procedure?

Mr. MORSE. He rejects the valuation, and when, as, and if there is a loss under the policy he is paid 75 percent of the agreed valuation and he is entitled to go to court to sue for what he claims to be just compensation.

The CHAIRMAN. Then he goes through the procedure we are talking about, the 75 percent, and then the suit, if he wishes?

Mr. MORSE. Yes, sir. And the premium is adjusted upward or downward, depending on the amount of the court award.

The CHAIRMAN. He can accept the valuation and payment, or he can take the other alternative?

Mr. MORSE. That's right. But he has to make his acceptance or rejection within 60 days.

The committee understands that the Department of Commerce will insert the "stated valuation" in the binder policy which will enable the war-risk insurance program to be launched immediately when the need arises and premiums can be established and collected without undue delay. In case of rejection by the owner and a subsequent variance in the court's judgment, the previous premium payments can be adjusted to accord to the court's decision. The binder policy is merely a commitment on the part of the United States to insure. The war-risk policy itself attaches when the need for war-risk insurance arises as defined by existing law. This was pointed out in the following exchange between the chairman of your committee and Mr. Morse at the hearing:

Mr. MORSE. The time of the attachment, which would mean we would issue a binder which merely commits the Government to carry war-risk insurance if it eventually arises.

THE CHAIRMAN. It is the time that the so-called binder is attached?

Mr. MORSE. No. A binder is merely a commitment to insure. It is when war breaks out.

The CHAIRMAN. It is the time you actually grab it?

Mr. MORSE. That is right. It is not the time of the loss of the vessel but it is the time when the need for war-risk insurance arises.

The bill further authorizes the Department of Commerce to pay any court judgments rendered under the provisions in the bill without regard to specific appropriation limitations in various other enumerated statutes.

Section 2 of the bill amends section 902 (c) of the Merchant Marine Act with reference to vessel requisition for use. The Maritime Commission must establish a charter rate reflecting "just compensation" to the "persons entitled to possession." Upon objection to the charter rate, the Commission shall pay 75 percent of the rejected rate as a tentative advance to such persons, who, in turn, may sue in

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the courts for a larger amount, with adjustments to take place on both sides dependent upon the amount of the court's judgment. The Government shall pay "just compensation" for any uninsured loss or damage occurring to the vessel while on such rejected charter hire status.

Section 3 of the bill provides for a refund to the United States in all "just compensation" cases of section 902 when the judgment of the court is less than the 75 percent advanced.

Section 4 of the bill merely makes the bill applicable to existing war-risk insurance policies unless the insured object within 10 days after the enactment of the bill.

Section 5 amends section 1206 of the Merchant Marine Act to permit the Secretary of Commerce to provide casualty insurance to certain persons contracting with the Government. A portion of the transcript from the hearing is listed below denoting the intent of this amendment.

> Mr. MORSE. The purpose of the material that I am now reading is directed to our authority to write war-risk insurance for contractors who have contracts with the Government, moving ammunition and things of that sort. We need that authority to continue even during peacetime, and not be limited to periods of war or periods when a national emergency exists.
>
> This can be accomplished by eliminating the condition that the United States be at war or in a period of declared national emergency.
>
> The CHAIRMAN. That is what I was talking about.
>
> Mr. MORSE. This would still leave in effect the requirements that the insurance could not be provided unless required in the prosecution of war or in connection with national defense and could not be obtained at reasonable rates or upon reasonable conditions from the private insurance market in the United States.
>
> The CHAIRMAN. You are speaking now of hull and cargo?
>
> Mr. MORSE. No. These comments are directed only to the war-risk insurance for contractors having contracts.
>
> The CHAIRMAN. Aboard merchant ships?
>
> Mr. MORSE. No.
>
> The CHAIRMAN. Any place?
>
> Mr. MORSE. Any place.
>
> The CHAIRMAN. Any place where you may find necessity for their use in this particular category?
>
> Mr. MORSE. No. Take Moran. They may have a contract with the Navy to move explosives. They may not be able to get war-risk insurance in the commercial market during peacetime. This particular type of insurance is not limited to war-risk insurance. It is casualty insurance.
>
> The CHAIRMAN. You are asking for authority then, as I understand it, to be allowed, within your discretion, to issue insurance for people engaged in maritime activities of maybe a dangerous nature, where they couldn't get private insurance?
>
> Mr. MORSE. Yes. And restricted to people who are contracting with the Government. We have that authority at

the present time in time of war or in times of declared national emergency. But this activity may continue during a normal peacetime.

The CHAIRMAN. You would restrict your sphere of activity to so-called maritime groups, wouldn't you?

Mr. MORSE. Any restricted under the act.

The CHAIRMAN. There would have to be some connection with maritime?

Mr. MORSE. It is restricted under section 1206 of the act as follows:

"The Secretary is authorized during any time the United States is at war or during any period of emergency declared to exist by the President of the United States to provide insurance for any person who performs services or provides facilities for or with respect to any American- or foreign-flag vessel, public or private, against legal liabilities," that is what we are talking about, legal liability insurance, "that may be incurred by such person in connection with the performance of such services or the providing of such facilities."

The CHAIRMAN. Even though private legal liability insurance was available, you still could issue your insurance under this act, but you would limit it to those cases where even though it may be available it couldn't be obtained upon reasonable rates. Obviously if it could not be obtained, you would do it. But you also could do it if it can't be obtained upon reasonable rates.

Mr. MORSE. The statute specifically spells out, "* * * and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do insurance in the States of the United States."

The CHAIRMAN. So that would give you some flexibility in issuing it where the rates were obviously exorbitant or couldn't be obtained.

Mr. MORSE. Yes, sir.

CONCLUSION

Your committee believes that the bill as amended and reported will eliminate the confusion surrounding the double-evaluation standard, and will place title requisitioned vessel owners and war-risk loss vessel owners in a more equitable and fair position. It will also place a maximum liability on the Department of Commerce with regard to these vessels, which should give the Department a more stable budgetary and operating position than it has at the present. The access to the courts and provisions for refunds to the Government are in the best interests of the Government and the vessel owners. Such an action is an action de novo in the court and not an appellate action from an administrative agency.

The bill, as a whole, is the springboard from which an efficient and workable war-risk insurance program can be launched and such a program is of the highest importance to the United States in case of war. Accordingly, your committee recommends that the bill do pass.

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The report of the Comptroller General, dated July 27, 1955, is appended, together with a letter from the Department of Commerce, dated March 29, 1956, commenting upon suggested amendments to the bill offered during the public hearing by representatives of the American Merchant Marine Institute, Inc., and of the Association of American Shipowners.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 27, 1955.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: Reference is made to your letter of April 27, 1955, enclosing a copy of S. 1833, 84th Congress, 1st session, entitled "A bill to amend the Merchant Marine Act of 1936, as amended," and requesting our comments on the proposed legislation.

S. 1833 is essentially the same as the substitute bill we proposed in our report of June 3, 1953, B–83676, to your committee on S. 1878, 83d Congress, 1st session, copy attached, and to the amended version of S. 1878 which passed the Senate on April 19, 1954. The Merchant Marine and Fisheries Committee, House of Representatives, did not hold hearings on S. 1878 until August 1954 and Congress adjourned before final action was taken on that bill.

S. 1833 accomplishes the twofold purpose of (1) establishing a single standard of valuations for vessel war-risk insurance purposes and for the requisition of vessels by the Government, and (2) providing that if the owner of a vessel rejects the administrative determination of just compensation, receives 75 percent thereof, and sues the United States, the action in the court shall be a de novo proceeding so that if the amount already received by the owner exceeds the court's judgment, the Government will recover such excess.

Accordingly, we recommend favorable consideration of S. 1833.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

DEPARTMENT OF COMMERCE,
MARITIME ADMINISTRATION,
Washington, D. C., March 29, 1956.

Hon. WARREN G. MAGNUSON,
Chairman, Committee on Interstate and Foreign Commerce,
United States Senate, Washington 25, D. C.

DEAR MR. CHAIRMAN: You requested our views on amendments proposed in connection with the hearings on S. 1833, March 13, 1956, by the American Merchant Marine Institute and the Association of American Ship Owners.

One of the proposed amendments by the institute (statement by Albert E. Rice) would provide that during any period of private operation prior to requisition, a section 802 vessel (i. e., one built with construction subsidy) should be allowed the same war-risk insurance valuation as any other privately owned and operated ship.

We are opposed to this amendment. We supported by our testimony the principle and policy that in time of war or national emergency a shipowner whose vessels are insured by the Government should be allowed payment on account of total loss on the same basis as an owner whose vessel is requisitioned. We believe that this principle should be applied to all cases of war-risk insurance total losses on the same basis as it is applied under section 902 to total loss cases of vessels requisitioned for title.

Referring to the amendment proposed by the institute to section 1209 (a) (1) of the 1936 act, to insert at the beginning thereof a clause reading: "Subject to the provisions of paragraph 2 of this subsection (2)," we consider that this amendment is unnecessary inasmuch as all of the sections and subsections of the act are read together in the application and interpretation thereof. To insert such a provision would only create doubt and confusion as to the application and interpretation of other provisions of the lae not prefaced by similar clauses of reference to related provisions.

With respect to the amendment proposed to section 1209 (a) (2) in the bill to insert "as determined by the Secretary," your committee has before it the proposed Commerce Department amendment of section 1209 (a) (2) of the bill, with Budget Bureau approval, to provide specifically and clearly for determinations of stated value in the policies, and our amendment places the determination of such values in the Secretary of Commerce. If the insured, as proposed in the bill, is to have the right within the specified period to reject the insurance valuation determined by the Secretary of Commerce, it must be be made very clear, as we propose in our amendment that, if the insured does not reject the valuation determined by the Secretary in the specified period, he must be bound by the valuation as found by the Secretary of Commerce. Furthermore, the bill (sec. 1209 (a) (2)) without our amendment would repeal essential provisions of section 1209 (a): that is, essential to protection of the United States and clearly embodying and fixing the policy of adminstrative determination of just compensation as the maximum to be paid in case of total loss under war-risk insurance, unless the insured rejects such determination. The insured has the unlimited right and privilege to protect himself under the bill in any eventuality, since he can reject the determination of the Secretary at any time within 60 days after the determination is made.

The Association of American Ship Owners (letter to the Honorable Warren G. Magnuson, United States Senate, March 16, 1956, from the secretary of the association) objects to the "stated value" amendment proposed by the Department of Commerce (Maritime Administration) as being unnecessary in view of the first sentence in paragraph (2) on page 2 of the bill S. 1833. A reading of paragraph (2) shows that it puts only a ceiling on any total-loss valuation in an insurance policy (that is, just compensation under sec. 902, which would be payable if the vessel were requisitioned for title). The bill does not specify an administrative determination of loss valuation which will stand unless rejected by the insured. The Maritime Administration, on the contrary, introduces the element of definiteness now entirely lacking in the bill. Inconsistently, the association objects that the "stated value" clause could not or would not be binding, but objects to making it binding as clause (B) of the Mari-

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time Administration amendment would do. Valuations stated in the policy simply as a maximum in terms of just compensation would be wholly indefinite, since only a judicial determination could finally determine such value in any disputed situation. Further, the proposed association amendment to clause (B) of Maritime's amendment would make that amendment wholly ineffective as binding on the Government and the insured.

As pointed out in my testimony on the bill S. 1833, there is no certainty under the existing insurance binders, which are left open as to valuation, the insured has no assurance that he will be paid any agreed value in the event of a total loss, and the maximum liability of the Government remains unsettled even though there may be a so-called agreed value (that is, agreed between the Maritime Administration and the insured) for the purposes only of fixing premiums. In that testimony we stated that the bill should be amended to provide that the total loss value of each vessel insured under the war-risk insurance program shall be specified in the insurance policy by the Secretary of Commerce, in order to fix finally beyond controversy the maximum amount to be paid in the event of a total loss, except where the insured rejects, as authorized in the bill, the valuation within the specified 60 days.

In our testimony on behalf of the Maritime Administration and the Department of Commerce, we made it abundantly clear that we supported the concept of just compensation judicially determined as a right of the insured to protect himself in the event of total loss of his vessel before general requisition is put into effect. We made it abundantly clear, on the other hand, that if the insured does not reject the stated value as provided in the bill within the permitted time, the stated value shall be binding beyond controversy, so far as valuation is concerned, in the event of a total loss. The insured will be protected under the bill and Maritime's amendment in any contingency, so far as his right to just compensation value is concerned, by the bill's procedure for rejection, if he is not satisfied with the value fixed by the Secretary of Commerce. If the insured accepts the valuation, he knows what he will be paid and what his premiums will be and the Government knows what it risks will be and what the receipts against the risks will be. It may be noted in this connection, that in World War II owners of less than 5 percent of the vessels lost contested the Government's just compensation valuations by going to court (S. Rept. 2494, 81st Cong.).

As the association stated in its communication to you, it is in the interest of both the Government and shipowner to assure continued operation of the American merchant marine at the outset of any war or threat of war emergency. The insurance law is the mechanism for providing such protection to the Government and to the shipowner in any period when ships are not able to secure private insurance and general title requisition has not been effected. But the insurance principles should not be virtually eliminated in total loss cases as it would be if the views presented by these organizations should prevail.

There is transmitted herewith in accordance with your request at the hearing a statement (three copies) showing World War II just compensation cases decided by the courts. As stated hereinabove, these cases involve only owners of 5 percent of the vessels requisitioned. Other owners accepted the Government's determination.

You will note that the courts' determinations for the 65 vessels amounted to 149 percent of the Government's determinations, and just short of 55 percent of the owners' claims.

Sincerely yours,

CLARENCE G. MORSE,
Maritime Administrator.

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Just compensation cases decided by the courts (under sec. 902 Merchant Marine Act 1936), Mar. 15, 1956

Vessel and court citation	Owner's claim	Just compensation determined by WSA	Just compensation determined by court
Airdale	[1] $26,399.67	[2] $3,256.72	[3] $5,689.58
Copper River Packing Company v. *United States*, Court of Claims No. 48828, decided Mar. 6, 1951, 118 C. Cls. 561 (1951).			
Alaskan	[4] 1,350,000.00	[5] 776,003.00	[6] 983,250.00
American-Hawaiian Steamship Co. v. *United States*, Southern District of New York, No. A 133-397, decided Jan. 21, 1949, 85 F. Supp. 815 (S. D. N. Y. 1949) motion to reopen denied, 92 F. Supp. 685 (S. D. N. Y. 1950), aff'd, 191 F. (2d) 26 (2d Cir. 1951); cert. denied, 342 U. S. 941 (1952).			
Back Bay	333,346.00	85,000.00	191,993.17
Gartland Steamship Company v. *United States*, Court of Claims No. 47753, decided July 9, 1951, 120 C. Cls. 176, 98 F. Supp. 587 (1951).			
Bennington	124,364.00	40,000.00	81,799.90
Gartland Steamship Company v. *United States*, Court of Claims No. 47753, decided July 9, 1951, 120 C. Cls. 176, 98 F. Supp. 587 (1951).			
Brockton	294,395.00	85,000.00	151,398.13
Gartland Steamship Company v. *United States*, Court of Claims No. 47753, decided July 9, 1951, 120 C. Cls. 176, 98 F. Supp. 587 (1951).			
Chester	68,000.00	[7] 34,171.90	46,245.00
Pontin Boat Corp. v. *United States*, Court of Claims No. 48565, decided Apr. 3, 1950, 116 C. Cls. 488, 89 F. Supp. 685 (1950).			
Cherrio	14,400.00	11,500.00	14,400.00
Shain E. Baitary v. *United States*, Eastern District of South Carolina, Civil Action No. 1138, decided Nov. 28, 1944.			
Concrete Scow	5,000.00	1,000.00	1,000.00
Israel Jacobson v. *United States*, Court of Claims No. 48273, decided Feb. 6, 1951, 118 C. Cls. 327 (1951).			
Do Na Aurora	1,960,000.00	[8] 1,333,333.33	2,082,000.00
De La Rama Steamship Co. v. *United States*, Southern District of New York, No. A-134-158, 66 F. Supp. 909 (S. D. N. Y. 1946),[9] 92 F. Supp. 243 (S. D. N. Y. 1950),[9] 98 F. Supp. 514 (S. D. N. Y. 1951),[9] rev'd, 198 F. (2d) 182 (2d Cir. 1952),[9] rev'd, 344 U. S. 386, 883 (1953),[9] aff'd, 206 F. (2d) 651 (2d Cir. 1953).			
Elna	187,500.00 57,986.24	[10] [11] 147,700.00 [12] 49,512.04	[8] [12] 188,025.00 [14] [15] 139,138.50
Johannes Ramselius v. *United States*, Court of Claims No. 48538, decided May 19, 1950, 116 C. Cls. 612, 90 F. Supp. 547 (1950).			
Fleetwood	300,000.00	40,000.00	80,000.00
Nicholson Transit Company v. *United States*, Court of Claims No. 48020, decided Feb. 6, 1951, 118 C. Cls. 344 (1951); cert. denied, 342 U. S. 902 (1952).			
Gene	50,000.00	15,000.00	25,000.00
Lillian Kendall, Executrix v. *United States*, Court of Claims No. 46199, decided Apr. 7, 1947, 108 C. Cls. 497, 71 F. Supp. 348 (1947).			
Geoanna	175,000.00	20,000.00	30,000.00
Seven-up Bottling Co. v. *United States*, Court of Claims No. 45868, decided Dec. 2, 1946, 107 C. Cls. 402, 68 F. Supp. 735 (1946); cert. denied, 332 U. S. 757 (1947).			
George Washington	1,739,872.00	667,500.00	1,100,000.00
Eastern Steamship Lines v. *United States*, District of Massachusetts, No. 1228, decided Aug. 14, 1947, 74 F. Supp. 37 (D. C. Mass. 1947), 77 F. Supp. 181 (D. C. Mass. 1947), 171 F. (2d) 589 (1st Cir. 1948).			
Governor Cobb	600,000.00	100,000.00	125,000.00
Trailerships, Inc. v. *United States*, Court of Claims No. 45923, decided Apr. 1, 1946, 106 C. Cls. 215, 66 F. Supp. 595 (1946).			

Governor Cobb			
Trailerships, Inc. v. *United States*, Court of Claims No. 45923, decided Apr. 1, 1946, 106 C. Cls. 215, 66 F. Supp. 595 (1946).	[1]	[2]	[3]
Hawaiian	[16] 1,919,248.42	[17] 409,439.65	[18] 799,686.74
American-Hawaiian Steamship Corp. v. *United States*, Court of Claims No. 48758 decided Oct. 5, 1954, 129 C. Cls. 365; cert. denied Oct. 15, 1955.			
Hourless	12,500.00	4,000.00	4,000.00
Wilson v. *United States*, District Court, Massachusetts, No. 2337, C. A., decided Nov. 12 1943.			
International	586,592.05	[19] 236,018.78	[20] [21] 290,000.00
Smith-Douglas, Inc. v. *United States*, Court of Claims No. 46289, decided Dec. 6, 1948, 81 F. Supp. 215 (C. Cls. 1948), new trial granted Oct. 3, 1949, 126 C. Cls. 758, 116 F. Supp. 570; cert. denied 348 U. S. 815.			
La Paz	1,500,000.00	65,000.00	125,000.00
Tropical Shipping Company v. *United States*, Court of Claims No. 48639, decided Dec. 4, 1951, 121 C. Cls. 111 (1951).			
Lake Farge	[22] 190,474.80	[23] 28,571.25	[24] 28,571.25
Daniel C. Robinson, Inc. v. *United States*, Court of Claims No. 46250, decided Feb. 6, 1951, 118 C. Cls. 414 (1951).			
Lake Frumet	[22] 193,991.60	[23] 29,098.75	[23] 29,098.75
Daniel C. Robinson, Inc. v. *United States*, Court of Claims No. 46250 decided Feb. 6, 1951, 118 C. Cls. 414 (1951).			
Louise	150,000.00	45,000.00	50,000.00
Michael N. Cavalliotis v. *United States*, Court of Claims No. 47324 decided Jan. 11, 1955, 130 C. Cls. 615.			
MacArthur	20,000.00	9,000.00	15,500.00
Richard S. Cora v. *United States*, Court of Claims No. 46796, decided Jan. 5, 1948, 110 C. Cls. 66, 75 F. Supp. 235 (1948), 337 U. S. 325 (1949), aff'd, 119 C. Cls. 296, 96 F. Supp. 460 (1951).			
Maitland No. 1	766,128.00	72,500.00	[24] 142,500.00
Toronto, Hamilton & Buffalo Nav. Co. v. *United States*, Court of Claims No. 46435, decided Dec. 6, 1948, 112 C. Cls. 240, 81 F. Supp. 237 (1948), 338 U. S. 396 (1949), 116 C. Cls. 184, 88 F. Supp. 1016 (1950).			
Mariner	15,000.00	7,000.00	10,000.00
Charles Zubik v. *United States*, Western District, Pennsylvania, No. 2815, decided June 22, 1945, 61 F. Supp. 4 (W. D. Pa. 1945).			
Mary Kay	17,000.00	6,500.00	6,500.00
Hugo Menke v. *United States*, Northern District Calif., No. 22447-R, decided July 21, 1943.			
Maude M. Morey	25,000.00	700.00	6,000.00
Israel Jacobson v. *United States*, Court of Claims No. 48273, decided Feb. 6, 1951, 118 C. Cls. 327 (1951).			
Mayflower	300,000.00	12,670.00	30,000.00
William G. Broadfoot, Jr. v. *United States*, Court of Claims No. 47091, decided Mar. 7 1949, 113 C. Cls. 280, 82 F. Supp. 514 (1949).			
Mizpah	435,750.00	116,000.00	175,000.00
Eugene F. McDonald, Jr. v. *United States*, Court of Claims No. 45876, decided June 5, 1950, 116 C. Cls. 734, 90 F. Supp. 703 (1950).			

[1] $116 per day.
[2] $14.31 per day.
[3] $25 per day.
[4] $100 per deadweight ton.
[5] $75 per deadweight ton.
[6] $95 per deadweight ton.
[7] WSA originally determined $25,000; Maritime Commission and owner agreed to settle for $34,171.91.
[8] No determination made. This figure is based on amount paid on account.
[9] Question of jurisdiction.
[10] WSA determination was based on a deadweight of 2,082 tons; the court's on a deadweight of 2,507 tons.
[11] $71 per deadweight ton.
[12] Value.
[13] $1.25 per deadweight ton.
[14] Charter hire.
[15] $3 per deadweight ton.
[16] $6 per deadweight ton.
[17] $1.28 per deadweight ton.
[18] $2.50 per deadweight ton.
[19] $54 per deadweight ton.
[20] The commissioner found that the value of the vessel as of September 1939 was $281,800 or $18 per deadweight ton.
[21] $66 per deadweight ton.
[22] $400 per day.
[23] $60 per day.
[24] The court originally determined $161,833.72 but on rehearing reduced the amount to $142,500.

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Just compensation cases decided by the courts (under sec. 902 Merchant Marine Act 1936), Mar. 15, 1956—Continued

Vessel and court citation	Owner's claim	Just compensation determined by WSA	Just compensation determined by court
N. G. Arfaras	$14,426.00	$9,050.00	$11,500.00
John E. Green v. *United States*, Southern District, Florida, No. 818-T, decided July 1945.			
Nellie Juan	[11] 33,975.00	[11] 4,219.69	[11] 7,927.50
Copper River Packing Company v. *United States*, Court of Claims No. 48829, decided Mar. 6, 1951, 118 C. Cls. 561 (1951).			
No Name	56,000.00	7,000.00	20,000.00
Walter B. Guy v. *United States*, Court of Claims No. 48914, decided Dec. 2, 1952.			
Norfolk	9,960.00	399.28	4,000.00
United States v. *Buxton Lines*, Eastern District of Virginia at Norfolk, 105 F. (2d) 993 (4th Cir. 1948).			
Octorara	1,003,333.33	25,000.00	62,000.00
Sand Products Corporation v. *United States*, Court of Claims No. 48756 decided Feb. 8, 1955 131 C. Cls. 147.			
Off duty	11,500.00	5,000.00	6,000.00
Victor F. Sheronas v. *United States*, District Court of Delaware, Civil Action No. 367, decided August 1946.			
Oregon	150,000.00	10,250.00	25,000.00
Edwin M. Ricker v. *United States*, Court of Claims No. 49516, decided Oct. 6, 1953, 126 C. Cls. 460, 115 F. Supp. 193 (1953).			
P. Kremasco	12,168.00	8,195.00	9,500.0
John E. Green v. *United States*, Southern District, Florida, No. 819-T, decided July 1945.			
Pacific	47,500.00	11,500.00	25,000.00
Edward L. Turkington v. *United States*, Court of Claims No. 46273, decided May 5, 1947, 108 C. Cls. 571, 71 F. Supp. 352 (1947).			
Panzola II	30,000.00	7,000.00	11,500.00
George J. Schaefer v. *United States*, Court of Claims No. 49100, decided Mar. 4, 1952, 114 C. Cls. 568, 86 F. Supp. 145 (1949) 121 C. Cls. 869 (1952).			
President Warfield	1,934,905.00	525,000.00	990,000.00
Baltimore Steam Packet Co. v. *United States*, Court of Claims No. 47088, decided Jan. 3, 1949, 112 C. Cls. 469, 81 F. Supp. 713 (1949).			
Robert Henjes	91,900.00	51,781.00	60,000.00
Helen K. Henjes v. *United States*, Court of Claims No. 47416, decided Jan. 3, 1950, 115 C. Cls. 264, 87 F. Supp. 780 (1950).			
Scow No. 81	72,000.00	23,970.00	35,000.00
City of Philadelphia v. *United States*, Court of Claims No. 49565, decided Jan. 8, 1952, 121 C. Cls. 300 (1952).			
Scow No. 88	72,000.00	23,970.00	35,000.00
City of Philadelphia v. *United States*, Court of Claims No. 49565, decided Jan. 8, 1952, 121 C. Cls. 300 (1952).			
Scow No. 106	75,000.00	[11] 27,388.00	33,000.00
American Dredging Company v. *United States*, Court of Claims No. 48633, decided July 9, 1951, 120 C. Cls. 243 (1951).			
Scow No. 107	75,000.00	[11] 27,388.00	33,400.00
American Dredging Company v. *United States*, Court of Claims No. 48633, decided July 9, 1951, 120 C. Cls. 243 (1951).			
State of Delaware	642,068.00	275,000.00	488,400.00
Wilson Line, Inc. v. *United States*, Court of Claims No. 46484, decided June 28, 1948, 111 C. Cls. 764, 78 F. Supp. 821 (1948).			
State of Maryland	1,448,000.00	400,000.00	800,000.00
Baltimore Steam Packet Co. v. *United States*, Court of Claims No. 47087, decided Jan. 3, 1949, 112 C. Cls. 448, 81 F. Supp. 711 (1949).			
State of Virginia	1,498,000.00	400,000.00	825,000.00
Baltimore Steam Packet Co. v. *United States*, Court of Claims No. 47090, decided Jan. 3, 1949, 112 C. Cls. 433, 81 F. Supp. 707 (1949).			

Stella Maris	22,000.00	13,500.00	15,000.00
Prunson v. *United States*, Southern District, Calif., No. 3659 O'C Civil, decided Oct. 30, 1944.			
Virginia	3,800,000.00	2,100,399.04	3,584,000.00
National Bulk Carriers, Inc. v. *United States*, District of Delaware No. 1567, 56 F. Supp. 765 (D. C. Del. 1944)[1] aff'd, 148 F. (2d) 462 (3d Cir. 1945),[2] 73 F. Supp. 622 (D. C. Del. 1947), aff'd 169 F. (2d) 943 (3d Cir. 1948).			
William C. McTarnahan	2,612,696.04	1,619,591.07	2,273,502.61
National Bulk Carriers, Inc. v. *United States*, District of Delaware No. 1568, 56 F. Supp. 765 (D. C. Del. 1944),[2] aff'd, 148 F. (2d) 462 (3d Cir. 1945)[3] 82 F. Supp. 495 (D. C. Del. 1949).			
Yorktown	1,237,100.00	425,000.00	815,000.00
Baltimore Steam Packet Co. v. *United States*, Court of Claims No. 47089, decided Jan. 3, 1949, 112 C. Cls. 458, 81 F. Supp. 715 (1949).			
Zebedee E. Cliff	25,000.00	1,000.00	7,500.00
Israel Jacobson v. *United States*, Court of Claims No. 48273, decided Feb. 6, 1951, 118 C. Cls. 327 (1951).			
Zephyr	581,000.00	275,014.19	375,000.00
R. T. C. No. Eleven Corporation v. *United States*, Court of Claims No. 47347 decided Apr. 8, 1952, 122 C. Cls. 56 1952).			
Zoric	15,625.00	7,500.00	15,000.00
Robert Capoit v. *United States*, Eastern District of Louisiana, No. CA 667 decided May 11, 1945.			
Nebraskan	1,554,800.00	744,424.00	[39] 894,727.00
Dakotan	1,322,750.00	670,210.00	[39] 761,191.00
Iowan	1,322,750.00	694,743.00	[40] 778,082.00
Nevadan	1,307,150.00	608,899.00	[41] 735,859.00
Pennsylvanian	1,322,750.00	565,910.00	[42] 613,145.00
Illinoian	1,406,600.00	588,752.00	[43] 663,266.00
Kentuckian	1,290,250.00	432,042.00	[44] 577,635.00
Columbian	1,233,700.00	153,847.77	[45] 465,000.00
Mexican	1,797,350.00	180,830.58	[46] 320,000.00
Virginian	1,592,500.00	158,100.53	[47] 300,000.00
Total	14,150,600.00	4,797,758.88	[48] 6,108,905.00
American-Hawaiian Steamship Company vs. *United States*, Court of Claims Nos. 48720, 48935, 48936, 48940, 49126, 49136, 49141, 49990, 42-52 and 43-52; Decided July 12, 1955. (No appeal.)			
Total	43,139,704.10	15,859,360.32	23,633,831.13

[1] Question of jurisdiction.
[39] $150 per day.
[40] $18.63 per day.
[41] $35 per day.
[42] Appraised value.
[43] $74.81 per deadweight ton.
[44] $76.47 per deadweight ton.
[45] $73.18 per deadweight ton.
[46] $60.26 per deadweight ton.
[47] $61.30 per deadweight ton.
[48] $58.20 per deadweight ton.
[49] $49 per deadweight ton.
[50] $23.15 per deadweight ton.
[51] $24.49 per deadweight ton.
[52] $56.12 average per deadweight ton.

NOTE.—The courts determinations for the 65 vessels amounted to 149.20 percent of the administrator's determinations. The courts determinations for the 65 vessels amounted to 54.78 percent of the owners claims.

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CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

MERCHANT MARINE ACT OF 1936, AS AMENDED

(U. S. C., title 46)

SEC. 902. * * *

(c) If any property is taken and used under authority of this section, but the ownership thereof is not required by the United States, the Commission, at the time of the taking or as soon thereafter as the exigencies of the situation may permit, shall transmit to the person entitled to the possession of such property a charter setting forth the terms which, in the Commission's judgment, should govern the relations between the United States and such person and a statement of the rate of hire which, in the Commission's judgment, will be just compensation for the use of such property and for the services required under the terms of such charter. If such person does not execute and deliver such charter and accept such rate of hire, the Commission shall pay to such person, *as a tentative advance only*, on account of *such* just compensation a sum equal to 75 per centum of such rate of hire as the same may from time to time be due under the terms of the charter so tendered, and such person shall be entitled to sue the United States [to recover such further sum as added to such 75 per centum will make up such amount as will be just compensation for the use of the property and for the services required in connection with such use.] *in a court having jurisdiction of such claims to recover such claims to recover such amounts as would be equal to just compensation for the use of the property and for the services required in connection with such use: Provided, however, that in the event of an election by such person to reject the rate of hire fixed by the Commission and to sue in the courts, the excess of any amounts advanced on account of just compensation over the amount of the court judgment will be required to be refunded.* In the event of loss or damage to such property, due to operation of a risk assumed by the United States under the terms of a charter prescribed in this subsection, but no valuation of such vessel or other property or mode of compensation has been agreed to, the United States shall pay just compensation for such loss or damage, to the extent the person entitled thereto is not reimbursed therefor through policies of insurance against such loss or damage.

(d) In all cases, the just compensation authorized by this section shall be determined and paid by the Commission as soon as practicable, but if the amount of just compensation determined by the Commission is unsatisfactory to the person entitled thereto, such person shall be paid *as a tentative advance only* 75 per centum of the amount so determined and shall be entitled to sue the United States to recover [such further sum as, added to said 75 per centum will make up such amount as will be] *such amount as would equal* just compensation therefor, in the manner provided for by section 24, paragraph 20, and section 145 of the Judicial Code, United States Code, [1934] *1946* edition, title

28, sections 41, *20*, 250)[.]: *Provided, however, that in the event of an election to reject the amount determined by the Commission and to sue in the courts, the excess of any amounts advanced on account of just compensation over the amount of the court judgment will be required to be refunded.*

* * * * * * *

SEC. 1206. The Secretary is authorized [during any time the United States is at war or during any period of emergency declared to exist by the President of the United States] to provide insurance for any person who performs services or provides facilities for or with respect to any American or foreign-flag vessel, public or private, against legal liabilities that may be incurred by such person in connection with the performance of such services or the providing of such facilities. Such insurance shall not be issued against liability to employees in respect of employers' liability or workmen's compensation. No such insurance shall be provided unless, in the opinion of the Secretary, such insurance is required in the prosecution of the war effort or in connection with national defense and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do insurance business in any State of the United States.

* * * * * * *

SEC. 1209 (a) (1) The Secretary, in the administration of this title, may issue such policies, rules, and regulations as he deems proper and may adjust and pay losses, compromise and settle claims, whether in favor of or against the United States and pay the amount of any judgment rendered against the United States in any suit, or the amount of any settlement agreed upon, in respect of any claim under insurance authorized by this title, [but with respect to any vessel which is insured under the provisions of this Act, the amount of the claim adjusted, compromised, settled, adjudged or paid shall not exceed the vessel's fair and reasonable value as determined by the Federal Maritime Board.]

"*(2) In respect of hull insurance, the valuation in the policy for actual or constructive total loss of the vessel insured shall be a stated valuation determined by the Secretary which shall not exceed the amount that would be payable if the vessel had been requisitioned for title under section 902 (a) at the time of the attachment of the insurance under said policy, provided, however, that in the case of a construction-subsidized vessel, the valuation so determined shall be reduced by such proportion as the amount of construction subsidy paid with respect to the vessel bears to the entire construction cost and capital improvements thereof (excluding the cost of national defense features.) Provided, further, That the insured shall have the right within sixty days after the attachment of the insurance under said policy, or within sixty days after determination of such valuation by the Secretary, whichever is later, to reject such valuation, but shall continue to pay premiums upon such valuation at the rate provided for in said policy. In the event of the actual or constructive total loss of the vessel, if the insured has not rejected such valuation, the amount of any claim therefor which is adjusted, compromised, settled, adjudged, or paid shall not exceed such stated amount, but if the insured has so rejected such valuation, the insured shall be paid, as a tentative advance only, 75 per centum of such valuation so determined by the Secretary and shall be entitled to sue the United States in a court having jurisdic-*

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tion of such claims to recover such valuation as would be equal to the just compensation which such court determines would have been payable if the vessel had been requisitioned for title under section 902 (a) at the time of the attachment of the insurance under said policy: Provided, however, that in the case of a construction-subsidized vessel, the valuation determined by the court as such just compensation shall be reduced by such proportion as the amount of construction subsidy paid with respect to the vessel bears to the entire construction cost and capital improvements thereof excluding the cost of national defense features and provided, further, That in the event of an election by the insured to reject the stated valuation fixed by the Secretary and to sue in the courts, the amounts of the judgment will be payable without regard to the limitations in clause (a) (2) (B) herein above or contained in the twelfth paragraph under the heading Maritime Activities in title I of the Department of Commerce and Related Agencies Appropriation Act, 1956, in the tenth paragraph under the heading Maritime Activities in title III of the Department of State, Justice, and Commerce, and the United States Information Agency Appropriations Act, 1955, in the eleventh paragraph under the heading 'MARITIME ACTIVITIES' in title III of the Department of Justice, State, and Commerce Appropriation Act, 1954, the tenth paragraph under the heading 'OPERATING DIFFERENTIAL SUBSIDIES' in title II of the Independent Offices Appropriation Act, 1953, the corresponding paragraphs of the Independent Offices Appropriation Act, and the Third Supplemental Appropriation Act, 1951, although the excess of any amounts advanced on account of just compensation over the amount of the court judgment will be required to be refunded. In the event of such court determination, premiums under the policy shall be adjusted on the basis of the valuation as finally determined and of the rate provided for in said policy."

O

Calendar No. 1975

84TH CONGRESS, 2d Session } SENATE { REPORT No. 1955

RETURN TO FORMER OWNERS OF MINERAL INTERESTS ACQUIRED IN CONNECTION WITH THE GARRISON DAM PROJECT

MAY 7, 1956.—Ordered to be printed

Mr. LONG, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 746]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 746) to provide for the return to the former owners of certain lands, including Indian tribal lands, acquired in connection with the Garrison Dam project of mineral interests in such lands, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

On page 1, line 5; on page 2, line 3; on page 2, line 6, insert the words "or devisees" immediately after the word "heirs".

On page 1, line 6, strike out the words "lands or interests therein were" and insert in lieu thereof the words "any mineral interest in lands or any estate in lands that included a mineral interest was".

On page 2, line 4, strike out the words "in such lands as were" and insert in lieu thereof the words "that were so".

On page 2, line 7, insert the words "upon the date of approval of this Act" immediately after the word "interests" and on page 2, lines 8–10, delete the phrase ", but not in excess of 5 per centum of the purchase price paid for the land by the Government".

On page 2, add the following language at the end of Section 1 of the bill:

> *Provided*, That where mineral interests in the same lands were acquired from more than one person or tribe, no conveyance shall be made unless it is established to the satisfaction of the Secretary that the proposed conveyance will operate in a manner which will be fair and just to each

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person (and the heirs or devisees of any such deceased person) or tribe from whom any mineral interest in such lands was acquired by the United States, and which will not prejudice the proper conservation and development of the mineral deposits affected by the conveyance. For the purposes of this Act former mineral interests, whether or not in the same lands, may be combined or divided in such manner as may be requested by the applicant or applicants and approved by the Secretary.

Add to the bill a new section reading as follows:

SEC. 3. In the event all of the mineral interests of the United States in and to all of the mineral deposits that are subject to any one lease, permit, license, or contract issued under the Mineral Leasing Act for Acquired Lands, approved August 7, 1947 (61 Stat. 913; 30 U. S. C., 1952 ed., secs. 351–359), as amended, are otherwise eligible for conveyance under Section 1 of this Act to a single grantee, or to several grantees as tenants in common, then such conveyance shall contain an assignment of all right, title, and interest of the United States in and to such lease, permit, license, or contract, including the right to all rentals, royalties, and other payments accruing under such lease, permit, license, or contract after the effective date of such conveyance. Except as provided in the preceding sentence, mineral deposits that are subject to any such lease, permit, license, or contract shall not be eligible during its continuance for conveyance under this Act. Nothing contained in this Act shall affect the continued validity of any such lease, permit, license, or contract or any rights arising thereunder.

PURPOSE OF THE BILL

The purpose of this measure is to provide for the reconveyance of mineral rights in certain lands acquired for the Garrison Dam project to the former owners thereof.

An area in excess of 400,000 acres of land in North Dakota was acquired by the Department of the Army for the Garrison Dam and Reservoir Project on the Missouri River as authorized by the Act of Congress approved December 22, 1944 (58 Stat. 891). By late 1951, fee title to 173,577 acres of this area, including 13,483 acres comprising the dam site and other construction areas, had been acquired.

CHANGE IN LAND ACQUISITION

With the speculation in oil and gas leases which accompanied the significant oil and gas activity in the Williston Basin in 1951, the Department of the Army reviewed its remaining land requirements for the project and concluded that a reservation of oil and gas rights by owners of land within the project area, but not within specified distances of the main dam, spillway, outlets, powerhouse, embankment section, and so forth, would be compatible with the project requirements provided the rights reserved are subordinated to the right of the United States to flood and submerge the land as required and that the exercise of such rights is appropriately restricted.

In order to restrict the landownership requirements of reservoir projects to the minimum area essential to their development, operation, and maintenance, the Department of the Army, in October 1953, revised its general land-acquisition policy so as to place greater emphasis on the acquisition of flowage easements instead of fee title, wherever feasible. The statement of the revised policy, which was developed in collaboration with the Department of the Interior, was published in the Federal Register on December 23, 1954 (19 Federal Register 8845). The revised policy is being applied in the acquisition of land for all new reservoir projects.

In furtherance of the revised policy, the Department of the Army has taken action in appropriate cases to amend pending condemnation cases and proceedings, as authorized by the act of Congress approved October 21, 1942 (56 Stat. 797), to provide for the taking of such lesser interest in lands as will conform these acquisitions to the revised policy. The Secretary of the Army, however, does not have authority to adjust in a similar manner acreage or title interest in lands acquired either through purchase, transactions, or condemnation proceedings in which final judgment has been entered.

BASIC OBJECTIVE

The lack of authority on the part of the Secretary of the Army to adjust title interest in certain lands gives rise to this legislative proposal to provide for adjustment in the title interest in that acreage outside the dam site and construction area acquired in fee prior to October 1951, so as to conform the title interest to be retained by the United States in these lands with the title interest acquired in conformity with the decision reached in 1951.

Some landowners in the Garrison Dam area took advantage of the opportunity to reserve oil and gas rights for whatever speculative value they had; others elected to convey the full fee-simple title to the United States. There is also included within the project boundaries an area consisting of approximately 152,360 acres which was acquired in fee from the Three Affiliated Tribes of the Fort Berthold Reservation in North Dakota in accordance with the joint resolution of Congress approved October 29, 1949 (63 Stat. 1026).

AMENDMENTS

The fact that these lands are subject to the Mineral Leasing Act for Acquired Lands (30 U. S. C., 1952 ed., secs. 351–359) makes desirable the addition of language of a technical and clarifying nature governing reconveyances of interests in land subject to oil and gas leases issued by the Department of the Interior under the above-mentioned act. All amendatory language of this character, suggested in the report received by the committee from the Department of the Interior, has been adopted. A full explanation of the need for such amendments is contained in the Department's report, which is set forth below with the report of the Bureau of the Budget.

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DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D. C., January 31, 1956.

Hon. JAMES E. MURRAY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Washington, D. C.

MY DEAR SENATOR MURRAY: This is in reply to your request for the views of this Department on S. 746, a bill to provide for the return to the former owners of certain lands, including Indian tribal lands, acquired in connection with the Garrison Dam project of mineral interests in such lands which, we understand, supersedes S. 536, a bill to provide for the return to the former owners of certain lands acquired in connection with the Garrison Dam project of mineral interests in such lands.

We would have no objection to the enactment of S. 746, if it were amended in accordance with our suggestions below.

Section 1 of S. 746, if enacted, would require the Secretary of the Army to convey the mineral interests in lands acquired by the United States for the Garrison Dam project, upon application, to any Indian tribe or any person (or his heirs) from whom the lands were acquired, upon the payment of a purchase price equal to the fair market value of the mineral interests, but not more than 5 percent of the purchase price paid for the land by the United States. Section 2 of the bill would authorize the Secretary of the Army to include in each conveyance such reservations and restrictions as he may deem advisable for purposes relating to the construction, operation, and maintenance of the Garrison Dam and Reservoir or for other purposes that are in the public interest.

Since all of the lands to which this bill is applicable were acquired by the Department of the Army and are at this time subject to its jurisdiction, that Department is in a much better position than we to comment on the merits of the bill from a substantive standpoint. However, these lands are subject to the Mineral Leasing Act for acquired lands (30 U. S. C., 1952 ed., secs. 351–359), under which this Department is authorized to issue, with the concurrence of the Department of the Army, oil and gas leases on the lands. Twenty-six such leases were issued during the period from January 1953 to December 1954, and applications for additional leases are pending. Moreover, the beneficiaries of the bill would include the Three Affiliated Tribes of the Fort Berthold Reservation, and individual members of that Indian tribal group.

In the event favorable consideration is given to the enactment of S. 746, we recommend that it be amended in five respects.

1. The bill as now worded extends the privilege of obtaining a reconveyance of the mineral interests in the lands affected by its provisions to the former owners, if living, and, if deceased, to their "heirs." It may be questioned, however, whether the term "heirs" is entirely adequate to cover situations where the former owner has disposed of his estate by a will. We suggest, therefore, that at each of the 3 places where this term appears in the bill (p. 1, line 5; p. 2, line 3; and p. 2, line 6) the words "or devisees" be inserted immediately after the word "heirs". If this were done, we consider that the privilege of reacquiring the mineral interests of a deceased owner would be exercisable by those persons who, under the laws of

the State of North Dakota governing the descent and testamentary disposition of real property, would have succeeded to such mineral interests had they remained as part of the estate of such former owner at the time of his death.

2. The bill as now worded does not identify with as much clarity as would be desirable the situations to which it is intended to apply. The persons from whom surface rights were acquired by the United States for the Garrison Dam project frequently did not convey full mineral rights to the United States. In some cases this was because the mineral rights in the lands already belonged to the United States, having been reserved to it in the original patents or other instruments under which the lands were held by the surface owners. Thus, it is estimated that about 3,500 acres of the acquired lands were subject to a reservation of all mineral deposits, and that about one-fourth of the acquired area was subject to a reservation of the coal deposits. In other cases the surface owners were unable to convey full mineral rights to the United States because they had made conveyances or leases of such rights to third parties. As a consequence of this situation, it was necessary for the Government to obtain relinquishments of mineral rights in hundreds of instances from persons other than the surface owners. In still other cases, some mineral rights were excepted from acquisition by the United States. Thus, we understand that oil and gas rights have been retained by the former surface owners in a number of instances.

In these circumstances we believe it most important that the bill should clearly express the principle that former surface owners, as well as former owners of mineral leases or grants, in the area affected by the bill are to be entitled to a reconveyance of only the particular mineral interests which the United States acquired from these owners. To this end we suggest the following amendments: (1) at page 1, line 6, strike out the words "lands or interests therein were" and insert in lieu thereof the words "any mineral interest in lands or any estate in lands that included a mineral interest was"; and (2) at page 2, line 4, strike out the words "in such lands as were" and insert in lieu thereof the words "that were so".

3. It is believed that the United States should benefit, in any reconveyance of mineral interests to former owners, from any increase in the value ascribed to those mineral interests while title to them is in the United States. For this reason, we believe that the provision in S. 746 which limits the price to be charged for the reconveyance of mineral interests to 5 percent of the purchase price paid for the land by the United States should be removed, and that the price charged the former owners should in every case be the fair market value of the mineral interests. Since the date of the enactment of S. 746 will be the time at which the policy of returning title to the mineral interests to the former owners will be effectively established, it would be appropriate to provide that the price to be charged the former owners be the fair market value of the mineral interests upon that date. To achieve these ends, we suggest the insertion of the words "upon the date of approval of this Act" immediately after the word "interests" at page 2, line 7, and the deletion of the phrase ", but not in excess of 5 per centum of the purchase price paid for the land by the Government" at page 2, lines 8–10.

4. In many of the situations where separate mineral interests in the same lands were acquired from two or more persons, restoration of

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the mineral interests acquired from one would be both impractical and inequitable unless accomplished as part of a restoration of the status quo with respect to all. Particularly is this true where a mineral lease was involved. In such a situation a satisfactory restoration could hardly be effected without the consummation of an agreement between the former lessor and former lessee reinstating the obligations created by the former lease, or substituting new obligations. Hence, the bill should condition the reconveyance of the interests of lessors or lessees or of other fractional, partial, conditional or future interests upon a showing that the parties in interest have worked out whatever arrangements may be necessary in order to avoid unfairness and to permit proper utilization of the mineral deposits. For this purpose, we suggest that the following provisions be added at the end of section 1 of the bill:

"*Provided*, That where mineral interests in the same lands were acquired from more than one person or tribe, no conveyance shall be made unless it is established to the satisfaction of the Secretary that the proposed conveyance will operate in a manner which will be fair and just to each person (and the heirs or devisees of any such deceased person) or tribe from whom any mineral interest in such lands was acquired by the United States, and which will not prejudice the proper conservation and development of the mineral deposits affected by the conveyance. For the purposes of this Act former mineral interests, whether or not in the same lands, may be combined or divided in such manner as may be requested by the applicant or applicants and approved by the Secretary."

5. As pointed out in the forepart of this report, some of the lands affected by the bill are subject to outstanding oil and gas leases issued under the Mineral Leasing Act for acquired lands. We believe that the intent underlying the bill probably is to transfer the interests of the United States in these leases to the former owners of the mineral deposits covered by such leases, in the event the former owners apply for the reconveyance of their former interests in these deposits. If this is the true intent, we believe it needs to be spelled out in the terms of the bill. Furthermore, serious objections would exist to the conveyance of mineral interests in lands that are subject to an outstanding Federal mineral lease unless such interests cover all of the mineral deposits that are subject to the particular lease involved. Partial assignments of leases or of reverters or reversions in leased mineral deposits could result in burdening the lessees as well as the United States with additional and costly problems of accounting, operations and administration. Hence, we recommend that if leased mineral deposits are to be included within the application of the bill, such application be limited to situations where all of the interests of the United States in all of the mineral deposits subject to the particular lease involved are eligible for reconveyance under the bill, and where the effect of the reconveyance will be to transfer the entire interest of the United States in the lease to a single grantee or to several grantees holding as tenants in common. Both of the matters discussed in this paragraph could appropriately be handled by adding to the bill a new section, reading substantially as follows:

"SEC. 3. In the event all of the mineral interests of the United States in and to all of the mineral deposits that are subject to any one lease, permit, license, or contract issued under the Mineral Leas-

ing Act for Acquired Lands, approved August 7, 1947 (61 Stat. 913; 30 U. S. C., 1952 ed., secs. 351–359), as amended, are otherwise eligible for conveyance under section 1 of this Act to a single grantee, or to several grantees as tenants in common, then such conveyance shall contain an assignment of all right, title, and interest of the United States in and to such lease, permit, license, or contract, including the right to all rentals, royalties, and other payments accruing under such lease, permit, license, or contract after the effective date of such conveyance. Except as provided in the preceding sentence, mineral deposits that are subject to any such lease, permit, license, or contract shall not be eligible during its continuance for conveyance under this Act. Nothing contained in this Act shall affect the continued validity of any such lease, permit, license, or contract or any rights arising thereunder."

The Bureau of the Budget has advised that there is no objection to the submission of this report to your Committee.

Sincerely yours,

WESLEY A. D'EWART,
Assistant Secretary of the Interior.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., July 22, 1955.

Hon. JAMES E. MURRAY,
Chairman, Committee on Interior and Insular Affairs,
United States Senate, Senate Office Building, Washington, D. C.

MY DEAR MR. CHAIRMAN: This will refer to our letter to you of February 10, 1955, concerning S. 536 and S. 746, bills which would authorize the return to former owners of mineral rights acquired in connection with Garrison Dam.

In that letter it was stated that the Bureau of the Budget would have no objection to enactment of these measures, if amended to provide that the United States shall receive the full fair market value of mineral interests in these lands. Since that time we have reviewed our position on this legislation in the light of discussions with representatives of the Indian interests involved, and we have concluded that we would have no objection to enactment of these bills, if amended to provide that the United States shall receive for the mineral interests in these lands their full fair market value appraised as of the date of enactment of the legislation. It is understood that such a provision would be satisfactory to the Indian interests.

Sincerely yours,

PERCY RAPPAPORT, *Assistant Director.*

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84TH CONGRESS
2d Session

SENATE

REPORT
No. 1956

TECHNICAL ASSISTANCE AND RELATED PROGRAMS

REPORT

OF THE

COMMITTEE ON FOREIGN RELATIONS

PURSUANT TO

The Provisions of S. Res. 214, 83d Congress, 2d Session;
S. Res. 36 and S. Res. 133, 84th Congress, 1st Session;
and S. Res. 162, 84th Congress, 2d Session

MAY 7, 1956.—Ordered to be printed with an illustration

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SUBCOMMITTEE ON TECHNICAL ASSISTANCE PROGRAMS

[Created pursuant to S. Res. 214, 83d Cong., and S. Res. 36 and S. Res. 162, 84th Cong.]

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FRANCIS R. VALEO, *Consultant* [2]

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[1] Appointed by the Vice President to serve with the subcommittee.
[2] On loan from the Legislative Reference Service, Library of Congress.

FOREWORD

The Committee on Foreign Relations on April 30, 1956, authorized the transmittal to the Senate of a report of its Subcommittee on Technical Assistance Programs created pursuant to the terms of Senate Resolution 214 (83d Cong.), as amended by Senate Resolutions 36, 133, and 162 (84th Cong.).

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84TH CONGRESS } SENATE { REPORT
2d Session } { No. 1956

TECHNICAL ASSISTANCE AND RELATED PROGRAMS

MAY 7, 1956.—Ordered to be printed, with an illustration

Mr. MANSFIELD, from the Committee on Foreign Relations, submitted the following

REPORT

[Pursuant to S. Res. 214 83d Cong., and S. Res. 36, S. Res. 133, and S. Res. 162, 84th Cong.]

I. INTRODUCTION

A. BACKGROUND

Senate Resolution 214 of the 83d Congress, agreed to July 6, 1954, directed a subcommittee of the Committee on Foreign Relations "to make a full and complete study of technical assistance and related programs." The resolution provided that the subcommittee was to be composed of 6 members chosen equally from both parties by the chairman of the Foreign Relations Committee and 2 other Senators, not members of the Foreign Relations Committee and not of the same political party, chosen by the President of the Senate.

Without limiting the scope of its study, the subcommittee was directed to give particular attention to the following matters:

1. The general level of authorizations of funds for the future to enable the programs efficiently to achieve their purposes;
2. The relationships between the technical assistance programs of the United Nations and of the Organization of American States and those conducted by the United States;
3. The coordination of United States agencies in operations within and outside the United States;
4. The extent to which the programs have been able to utilize private agencies in achieving their purposes;
5. The degree of self-help and mutual assistance available in countries receiving technical assistance;
6. The relationship between technical assistance, economic aid, and military assistance; and
7. The effectiveness of the administration of the programs in advancing the foreign policy of the United States.

The resolution directed the Committee on Foreign Relations to transmit to the Senate not later than January 31, 1955, the results of

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the study together with such recommendations as might be found desirable. Expenses of $40,000 were authorized.

Under this authority, the subcommittee's expenses through January 31, 1955, amounted to $2,205.41, and at that time the unexpended balance lapsed.

On February 4, 1955, the Senate agreed to Senate Resolution 36 of the 84th Congress authorizing subcommittee expenditures through January 31, 1956, of $24,000. Additional funds to the extent of $15,000 were made available by Senate Resolution 133, agreed to July 29, 1955.

Under this authority, the subcommittee's expenses were $15,537.29.

Thus, through the end of January 1956, the subcommittee had spent a total of $17,752.70 and had allowed an unexpended balance of $61,247.30 to lapse.

On February 8, 1956, the Senate agreed to Senate Resolution 162 of the 84th Congress making $27,000 available to the subcommittee through January 31, 1957. In the coming year, the subcommittee intends to give particular attention to Latin America, to Africa, and to the organization of the State Department and the International Cooperation Administration for the administration of technical assistance. Except for these three items, the subcommittee regards its work as substantially complete with the submission of this report.

On August 11, 1954, Senator Alexander Wiley as chairman of the Foreign Relations Committee appointed the following members of the committee to serve on the subcommittee:

Senator Hickenlooper, chairman, and Senators Aiken, Capehart, Green, Fulbright, and Mansfield.

Subsequently, the Vice President appointed Senators Kennedy and Goldwater from the Senate at large.

In January 1955, Senator Mansfield became chairman.

B. SUBCOMMITTEE ACTION

During the fall of 1954, various basic studies were undertaken by the staff of the subcommittee, and in addition the subcommittee solicited the confidential views of the chiefs of American diplomatic missions and of private American businessmen and journalists in countries receiving technical assistance. The replies of these American citizens residing abroad were most helpful to the subcommittee, and it expresses its deep appreciation for their splendid cooperation.

In the winter and spring of 1955, the subcommittee held a series of public hearings and executive sessions in Washington and received testimony not only from various officials of the executive branch concerned with technical assistance but also from many representatives of interested organizations and from individuals with special competence in the field.

During the late summer and fall of 1955, the subcommittee followed up its work in Washington with field studies in the Far East, South Asia, the Middle East, Europe, Central America, and the Caribbean. Senator Mansfield reported to the subcommittee on Vietnam, Laos, and Cambodia, on Central America, and on the industrial productivity program in Europe. Senator Green studied the program in the Far East, South Asia, and the Middle East; Senator Capehart in Turkey and southern Europe; and Senator Goldwater in Egypt and Israel. Staff members made special reports on the Caribbean.

In January 1956, the subcommittee held further hearings to discuss problems of organization and administration with officials of the State Department and the International Cooperation Administration.

The subcommittee's publications to date, all in the form of committee prints are:

Development of Technical Assistance Programs. Background information and documents. November 22, 1954.

Hearings. February 17–March 4, 1955.

Staff Study No. 1. Multilateral Technical Assistance Programs. March 11, 1955.

Staff Study No. 2. Organization and Administration of Technical Assistance Programs. April 8, 1955.

Staff Study No. 3. Soviet Technical Assistance in Non-Communist Asia. June 10, 1955.

Staff Study No. 4. Summary of Reports of American Citizens Abroad on Technical Assistance Programs. December 22, 1955.

Staff Study No. 5. Government Utilization of Private Agencies in Technical Assistance. January 9, 1955.

Technical Assistance in the Far East, South Asia, and Middle East. Report of Senator Theodore Francis Green on a study mission. January 13, 1955.

The subcommittee has necessarily been concerned with economic aid as well as with technical assistance because of the close relationship between these two parts of our foreign policy. But the subcommittee has construed its terms of reference rather strictly and has not made a thorough study of economic aid. Such a study may subsequently become desirable.

The subcommittee has likewise not directed its attention to the problems and potentialities of technical assistance in the field of atomic energy. This is a program which has very wide ramifications, but it is still in its infancy and is under the continuing jurisdiction of the Joint Committee on Atomic Energy.

II. Summary of Findings and Recommendations

1. The economic development of underdeveloped countries is in the interests of the United States if it proceeds within the framework of a reasonably free society. Technical assistance can make an important, but limited, contribution not only to economic development but also indirectly to social and political progress.

2. This report attempts to set forth some general criteria for the evaluation of technical assistance. Where those criteria are being met, the technical assistance program might well be expanded in step with the growth of the country's absorptive capacity. Where they are not being met, the program should be curtailed or be redirected in emphasis.

3. The increasing Soviet efforts at economic penetration of Asia and Africa increase the urgency of the problems with which technical assistance seeks to deal, but these efforts do not change the character of those problems. They do not require the United States to do anything which would not be in our national interest in the absence of the Soviet threat. This is not to say that Soviet activities should not

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be taken into account in planning our own programs, but our programs are more likely to be effective if they are carried out on their own merits to achieve American objectives than if they are pressed primarily as counteraction to Soviet moves.

4. A limiting factor on the size and scope of American technical assistance programs is the supply of technical personnel qualified to carry out such programs. The shortage of technicians is a national problem which affects other Government programs, private business, and educational institutions as well as technical assistance. Although ICA recruiting procedures might be improved or intensified, the ultimate solution to this problem involves questions beyond the scope of either ICA or this subcommittee. In the meantime, the subcommittee feels that, except in cases of the most extreme urgency, it may be better not to try to carry on a program at all than to attempt it with mediocre technicians. The selection of personnel involves not only technical qualifications but also adaptability, understanding of foreign people and customs (including, ideally, the local language), and recognition of local hopes and aspirations.

5. Projects should be more carefully planned with particular attention to: (*a*) the ability of the United States to carry out the project (this means especially the availability of qualified personnel), (*b*) the ability and willingness of the recipient country to utilize the results of the project, (*c*) the relationship of the project to the long-term economic growth of the recipient country, and (*d*) the relationship of the project to the long-term United States interests in the country.

6. A more Spartan use should be made of supplies and equipment for demonstration purposes, and such supplies and equipment should be more directly related to the needs of the country and its capacity to provide additional materials of the same type.

7. The United States should continue its support of the United Nations expanded technical assistance program. An increase in the dollar amount of United States contributions to this program might be justified if the President and the Congress so determined, provided there was no increase in the percentage of the United States contribution. United States representatives in the United Nations and the specialized agencies should press for a further centralization of administrative and policy control over the U. N. program.

8. The organizational structures of the State Department and the International Cooperation Administration should be further integrated.

9. The whole question of private contracting should be reviewed at a high level in the executive branch.

10. Finally, the technical assistance program should be continued at approximately the present level, and should be further reviewed by the Congress in 3 to 5 years.

III. Concept, Objectives, and Evaluation of Technical Assistance

A. THE UNITED STATES NATIONAL INTEREST

The subcommittee has conducted its study on the premise that the sole test of technical assistance is the national interest of the United States. Technical assistance is not something to be done, as a Government enterprise, for its own sake or for the sake of others. The

United States Government is not a charitable institution, nor is it an appropriate outlet for the charitable spirit of the American people. That spirit finds its proper instrumentality in the numerous private philanthropic and religious institutions which have done so much good work abroad.

Technical assistance is only one of a number of instruments available to the United States to carry out its foreign policy and to promote its national interests abroad. Besides technical assistance, these tools of foreign policy include economic aid, military assistance, security treaties, tax and commercial treaties, overseas information programs, participation in the United Nations and other international organizations, the exchange of persons program, tariff and trade policies, surplus agricultural commodity disposal policies, and the traditional processes of diplomatic representation.

None of these tools has any particular inherent merit; any of them may be useful in a given situation. None is sufficient in and of itself as a total policy for the United States; yet rarely, if ever, will it be necessary to use all of them in connection with a single country.

Although some of these programs are relatively less expensive than others, none is free; all cost something, not only in terms of dollar expenditures but also in terms of other United States interests which may be adversely affected. The proper measure of a program's cost, however, is the relationship of cost to benefits. International affairs are made up of too many intangibles for a mathematical cost-benefit ratio to be worked out as in the case of a multipurpose dam in the United States. But the same general concept is applicable: the cost of any foreign activity of the United States becomes significant only when it is related to the benefits which the United States receives from that activity. Viewed in this light, a relatively low cost—in dollar terms—activity may be unconscionably expensive, while a relatively costly activity may actually be inexpensive. Maintenance of a consular establishment where none is needed is an example of the former; the multibillion dollar Marshall plan is an example of the latter.

In dollar terms, technical assistance is not a particularly large program. It costs far less than military assistance or economic-type aid. It costs a little less, dollarwise, than the appropriation for the Department of State, and a little more than that for the United States Information Agency. The cost figures for these programs for fiscal 1956 are: military assistance, including direct forces support, $1,056.1 million; defense support and development assistance, $1,186.2 million; Department of State, $144.0 million; United States Information Agency, $85.3 million; technical assistance (bilateral only), $127.5 million.

Except in isolated instances, one cannot put a dollar figure on the benefits accruing to the United States from technical assistance. There are not many examples such as the one in Peru in which increased business for American fertilizer and farm equipment companies can be traced directly to technical assistance in agriculture. The subcommittee believes, however, that such examples will accumulate as technical assistance is carried out over a longer period.

Indeed, the subcommittee has no doubt that from a strictly economic point of view the development of underdeveloped countries will pay off for the United States. The chart on page 6, reproduced

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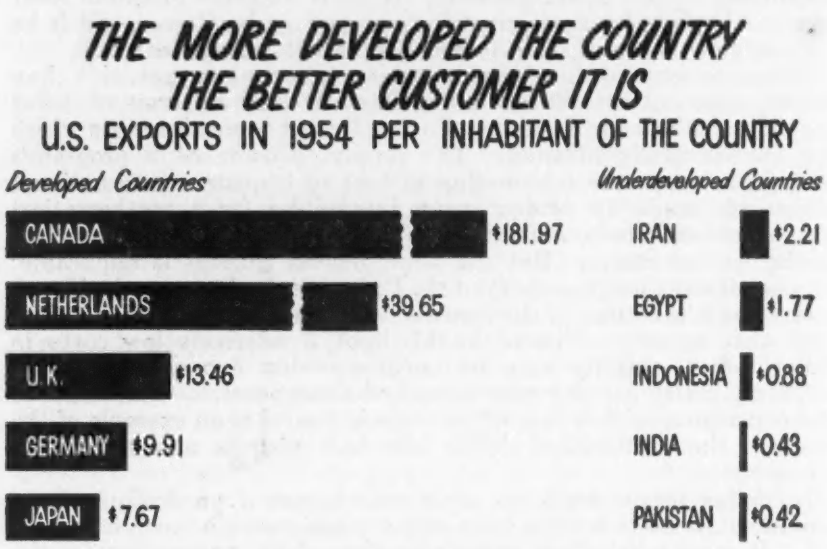
from the Senate Foreign Relations Committee report on the Mutual Security Act of 1955, shows how developed countries provide better markets for United States goods than do underdeveloped countries. Despite this sort of evidence, there has developed in recent years a tendency in some quarters to criticize technical assistance on the grounds that it will promote competition for United States products. This line of argument ignores the fact that the countries in question are too poor to buy American goods in significant quantities and that American markets are not, therefore, being destroyed. It further ignores the fact that a rise of even a few percentage points a year in the purchasing power of these countries would result in new markets for American business of all kinds far exceeding whatever minimal markets were displaced.

This same argument was heard in the debate on the European recovery program in 1948, but the dire results predicted have not



come to pass, and economic conditions in both Western Europe and the United States have shown marked improvement.

There is a further specific advantage of technical assistance to the United States which is often overlooked. This is the technical knowledge which the United States itself acquires from the work of American technicians abroad. A native grass in Iran was found suitable for use in South Dakota. And in a number of health projects, doctors of the Public Health Service have gained experience with problems which are not now faced in the United States but which might arise at any time. This is the type of experience which could only be gained abroad.

Granted the economic interests of the United States in international economic development, the question can still be asked as to whether this is an appropriate field for governmental activity or whether the same results could be achieved by private enterprise through foreign investments and operations. Although the subcommittee believes that every appropriate measure should be taken to stimulate private

foreign investment, it is the opinion that, regardless of what is done along this line, the maximum private investment which can reasonably be expected in the foreseeable future will be grossly inadequate to achieve the desired results. This opinion is based on the facts that—

1. The private investment which has been forthcoming in the past has been far short of the necessary amount.
2. The returns which can reasonably be expected from technical assistance, although in some cases they are direct and specific, are too remote to attract private investment.
3. The expanding American economy provides greater opportunities for investment capital than do underdeveloped areas.

One of the most significant facts of the contemporary world is the great disparity in wealth between the United States and the underdeveloped countries. Even more significant is the fact that this disparity, great as it is, is increasing. The gross national product of the United States increased 7.4 percent between 1954 and 1955. The second Indian 5-year plan, which is an extremely ambitious undertaking, aims at an increase of no more than 5 percent a year. And the enormously expensive Aswan Dam, which will absorb most of Egypt's available resources for a period of at least 10 years, will do no more than halt the decline in Egyptian per capita gross national product.

The subcommittee has grave doubts as to how long economic growth can be sustained in the United States if the rest of the world continues to fall further and further behind. In connection with the advancement of our own prosperity, the prosperity of others is an important factor.

The subcommittee likewise feels that economic development abroad is in the national interest of the United States on political, as well as on economic, grounds. The two are not necessarily related, however, and the subcommittee questions the assumption, which is frequently and glibly made, that the political consequences of economic development are necessarily in the American interest.

History provides examples of economic growth which has been accompanied by political developments very nearly ruinous to the United States. In the late nineteenth and early twentieth centuries, Germany and Japan underwent very rapid economic development, but this did not lead to happy political results from the point of view of the United States and many other countries. The Soviet Union has likewise undergone rapid economic development since the Russian Revolution, but it could hardly be argued that the accompanying political developments have been in the interest of the United States specifically or of free nations as a whole.

On the other hand, history also provides examples of economic growth which has been in the national political interest of the United States. In this category are most of the countries of Western Europe and the more highly developed countries of the British Commonwealth and of Latin America.

The determining factor is not economic development itself, but the whole complex of political and social institutions in which economic development takes place and the social and political changes which occur as a consequence of economic development.

Technical assistance is in the national interests of the United States when and only when it not only promotes economic development but

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also encourages the growth of free institutions within the framework of a free society.

Technical assistance in agriculture may result in sharp increases in crop yields, but it will fail of its purpose (indeed, it may be positively harmful) unless it is accompanied by measures designed to bring about a fair distribution of the increases between landlords and tenants. In many underdeveloped countries, this means land reform. Otherwise social stresses within the country may be increased, and Communist propaganda may find a greater receptivity as a result of technical assistance than it did before technical assistance was undertaken.

Similarly, technical assistance in education may result in sharp increases in literacy, but again it will be less than fully effective if the school system is not adapted to meeting the country's needs or if the country is flooded with cheap Communist literature and free world books are not generally available. Moreover, it serves the national interests of neither the United States nor the recipient country to increase the number of holders of law and liberal arts degrees in an economy which may be already surfeited with frustrated intellectuals and which needs plumbers and mechanics.

These are matters in which the influence of the United States is necessarily and severely limited. It would be highly improper, as well as self-defeating, for the United States to attempt to dictate a country's policies on such peculiarly domestic sociopolitical questions. But it is entirely appropriate for the United States to take into account a country's own attitude toward these questions when planning a technical assistance program, or when negotiating a technical assistance agreement. And in the subcommittee's judgment the United States should take such attitudes into account to a greater degree than has been evident in the past.

The fact that economic development may take political channels inimical to the United States is not an argument against economic development. It is only an argument to give more attention to the political and social consequences of economic development. When these consequences are good, from the American point of view, they make a country more impervious to Communist infiltration and result in an orientation which is pro-United States in the sense that it is profreedom even though it may not be specifically pro-American.

Further, it is necessary to consider the consequences not only of carrying out a program such as technical assistance but also of not carrying it out. The demand for economic development is one of the fundamental political facts of the midtwentieth century. There is some doubt as to how fully some of the people who voice this demand comprehend the prerequisites and implications of development. But there can be no doubt as to the existence of the demand itself and as to its political potency. There are few, if any, governments outside the police states which could long remain in power without making some effort to meet this demand.

It is obvious that this demand is more likely to find constructive outlets if the United States carries on technical assistance programs than if it does not. The recently stepped-up Soviet offers of such assistance lend added point to this statement. The subcommittee deprecates any effort on the part of the United States to match Soviet offers dollar-for-ruble. But the subcommittee believes that

discontinuance of United States technical assistance programs would have pernicious results abroad. Such withdrawal would almost certainly strengthen the economic, and consequently the political, influence of the Soviet Union in underdeveloped countries.

At the same time, however, the subcommittee desires to make it perfectly clear that it does not view technical assistance as primarily an anti-Communist program. As a matter of fact, the subcommittee feels that, under both the present administration and the preceding one, the negative, anti-Communist aspects of American foreign policy have been much too heavily emphasized, while the positive aspects of that policy have been too much neglected. The American national interest has too often been viewed as the reciprocal of the Communist interest, and from this it has been reasoned that anything which was anti-Communist was ipso facto pro-American. The question is one of emphasis, and the subcommittee prefers to proceed from the converse of this assumption, namely, that anything which is pro-American is ipso facto anti-Communist. If the United States carries out programs which will positively advance the American national interest, without regard to their anti-Communist content, the anti-Communist results, although secondary, are likely to be even stronger than if the programs were specifically anti-Communist in the first place.

The subcommittee likes the way John Sherman Cooper, American Ambassador to India, put it in a recent press conference:

> The problem is not simply to counter the Russians. We were there first. We should develop our own program and stick with it and give assurance of some continuity.

The subcommittee concludes that technical assistance, properly planned and adequately administered, produces results which promote the national interest of the United States. The program, however, has not been properly planned or adequately administered in all of the countries with which the subcommittee is familiar. These deficiencies will be elaborated upon later in this report. But the fact that a program is deficient in certain respects while promoting the national interest in other respects is no argument for dispensing with the program; it is an argument for correcting the deficiencies.

B. DEFINITION OF TECHNICAL ASSISTANCE

Technical assistance is defined by law (the Mutual Security Act of 1954—Public Law 665, 83d Cong.) as—

> the international interchange of technical knowledge and skills designed to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.

There are two points which deserve emphasis:

1. Technical assistance is the interchange of technical knowledge and skills. To the subcommittee this means teaching or demonstrating better methods of doing things; it does not mean doing the things themselves. Indeed, the Mutual Security Act specifically limits the equipment or commodities which may be furnished with technical assistance funds to instances where the equipment or commodities are necessary for instruction or demonstration purposes. The subcommittee feels that this provision of the act should be strictly construed.

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2. As a further limitation, technical assistance is—

to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas.

In other words, technical assistance is not to be rendered for its own sake, but as part of a balanced and integrated program of economic development.

In assessing the role of technical assistance in United States foreign policy and in evaluating the results of technical assistance programs up to this point, therefore, it becomes necessary to examine the process of economic development—the conditions prerequisite to it and the results which may be anticipated from it.

This process is extremely complex and is as yet imperfectly understood, but it involves a good deal more than the knowledge and skills which can be supplied by technical assistance. For one thing, it involves capital investment. For another, it involves an intangible but no less indispensable element which can perhaps best be described as a state of mind. This takes the form of a readiness, on the one hand, to make the social and cultural changes necessary to stimulate economic development, and a capacity, on the other hand, to adapt to the changes which inevitably accompany economic development.

If any one of these elements is missing, then either economic development will not occur or it will take political channels which may be inimical to the interests of the United States.

Although technical assistance by itself is not sufficient to induce a self-sustaining rate of economic development within the framework of a free society, it can make a contribution to the creation of an atmosphere favorable to the other necessary factors. Technical assistance can help to encourage private investment through advice on revision of the tax structure, for example, or on legislation relating to foreign investment. Or it can make a lumbering industry feasible through a public health program which removes obstacles to the development of jungle-timber resources.

In regard to social attitudes, the role of technical assistance is more indirect, but still forceful over a period of years. A technical assistance program in community development, for example, can gradually result in healthier, more democratic relationships between government officials and people. A technical assistance program in agricultural education or in training craftsmen can implant ideas about the dignity of labor and of working with one's hands.

Indeed, if technical assistance does not have effects of this kind, then it is only partially successful. But although technical assistance can help to encourage capital investment and although it can help to guide social changes, it cannot take the place of investment nor can it substitute for the indigenous urge to develop.

The subcommittee lays great stress on this urge to develop and on the social and political changes accompanying economic development. Neither of these factors is within the control of the United States; yet both are crucial in determining the ultimate success of technical assistance from the point of view of American policy.

The urge to develop is compounded of many things. It is a great deal more than the desire for more economic goods. It is a recognition that traditional ways of life are incompatible with the fulfillment of

such a desire and a willingness to modify traditional habits in order to achieve the goal. People who work only in order to live as their grandfathers did are not susceptible to economic development. If technical assistance shows them how to produce one-fifth more food, they will instead produce the same food and increase their leisure proportionately. This is not economic development, though it may satisfy the social values of the people. In this connection it is worth recalling the remark of George Bernard Shaw: "Do not do unto others as you would they should do unto you. Their tastes may not be the same."

Because economic development—both the process itself and its political consequences—is so complex, the establishment of criteria by which to evaluate technical assistance is extremely difficult. Statistical measures may be indicative, but they are by no means conclusive. On a national basis, even the biggest technical assistance programs are so small a part of a country's total economic accounts that it is not particularly helpful to attempt to relate changes in gross national product to technical assistance. Results of individual technical assistance projects can be more readily measured over a long period of years, provided adequate statistical controls are available (which is frequently not the case). These results may reveal something of the technical effectiveness of the projects, but they have little meaning so far as the long-range goals of American foreign policy are concerned. It may be possible to determine, for example, that agricultural production, or literacy, or industrial productivity has increased X percent or that malaria or trachoma has decreased Y percent. This information is helpful, but it may be misleading unless it is considered in connection with other factors. Has the increase in literacy been accompanied by reforms in the school system so that it is better adapted to the needs of the society it serves or does that system simply turn out more frustrated intellectuals who use their literacy to steep themselves in Marxist propaganda? Has the increase in industrial productivity been equitably shared?

These are questions which can be reliably answered only after an assessment of the total economic, social, and political situation in a country. The answers will indicate whether or not economic development is proceeding in a manner which is in the interests of the United States. If the answers indicate that economic development is proceeding in such a manner, then more cannot be expected. The United States should not put a political price tag on its assistance in the form of votes in the United Nations or of willingness to sign a military assistance agreement.

It is in this context that the subcommittee has approached the seven specific points of Senate Resolution 214 discussed below.

IV. General Level of Authorizations

The subcommittee recommends that authorizations of appropriations for technical assistance be stabilized at approximately the current level. It emphasizes that this recommendation is directed to technical assistance, strictly defined, and is not to be construed as applying to economic assistance or defense support.

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The following table shows the trend of authorizations and appropriations for bilateral technical assistance programs:

Fiscal year	Authorization	Appropriation
	Millions	*Millions*
1953	$189.8	$138.9
1954	140.2	105.1
1955	117.1	105.0
1956	146.5	127.5

On the basis of its field observations, the subcommittee is doubtful that substantial additional funds could be administered effectively by the United States or absorbed efficiently by recipient countries.

The availability of American technicians to operate the program is a limiting factor which is too frequently ignored in proposals to expand technical assistance. Further, even if technicians and administrators were available, it would to some extent be counterproductive to increase substantially the numbers of Americans in certain countries.

The subcommittee has seen numerous examples of waste which arise primarily, it believes, from (1) poor planning, (2) inadequate administrative followup, (3) the furnishing of more assistance than the local economy can absorb, and (4) an effort to produce impressive results in a hurry.

In Vietnam, equipment was supplied to a radio school and to a marine navigation school, but most of the graduates remained unemployed because of a lack of opportunities in the Vietnamese economy.

In Pakistan, equipment was supplied to a tuberculosis hospital, but the hospital staff did not know how to use it.

Also in Pakistan, insecticides which were supplied under a plant-protection program were allowed to remain on the docks until they deteriorated because the Pakistanis did not know how to use them.

In Thailand, some of the equipment supplied for a mechanics school was more elaborate and complicated than graduates of the school would ever be called upon to use.

In Egypt, a demonstration health center was more lavish than Egypt could expect to afford for itself. In a case like this one, there is a danger that technical assistance may inspire unfulfillable desires, which may take the form of frustration and resentment of the United States.

It is because of considerations of this kind that the subcommittee is constrained not to recommend an increase in technical assistance. On the other hand, there are also many examples of successful, well-planned, prudently administered technical assistance projects.

The Joint Commission on Rural Reconstruction in Formosa has been markedly successful in helping to raise the standard of living of Taiwanese farmers. A particularly noteworthy feature of its activities has been the introduction of improved breeds of hogs and of innoculations against hog cholera.

The agricultural and community development programs in India deserve a share of the credit for fulfillment of the agricultural goals of the Indian first 5-year-plan. The community development program in particular is resulting in changing, more democratic attitudes between villagers and Government officials.

The village aids projects in Pakistan and the village development work of the Near East Foundation in Iran (financed in part by ICA funds) are also making significant contributions to the development of these two countries and to the achievement of United States goals.

In Vietnam, the tilapia fish project promises, at small cost to the United States, to result in a considerable improvement in the Vietnamese diet and in a stronger economic base for Vietnamese farmers.

And the American people can be proud of the contribution their Government has made to malaria control in India and to bilharzia control in Egypt.

The subcommittee feels that with better planning, examples of this kind can be multiplied and examples of waste can be eliminated. It cannot be too strongly emphasized nor too often reiterated that technical assistance is a long-range program in which continuity of effort is at least as important as magnitude of effort. A basic project can hardly be well started in a year, much less completed in that time. The subcommittee has seen projects operated by private agencies which turned out to be highly successful, but which had to be carried on for as long as 6 or 7 years before they began to take hold.

It requires a rather high order of faith to persevere in projects of this nature when tangible results are not forthcoming immediately. This increases the importance of careful advance planning, rigorous screening of projects, and careful selection of supplies and equipment for demonstration purposes.

Results of the kind which the United States is seeking depend in large measure upon the readiness and willingness of the recipient country to make the most effective use of technical assistance. Where this situation exists in the recipient country, technical assistance is well worth the cost to the United States and the subcommittee would be disposed to look with favor upon sound proposals for increases in the program. But where this situation does not exist, it cannot be induced by unilateral efforts on the part of the United States. The proper course in such circumstances is simply to wait until the country is ready. In the meantime, modest programs with limited objectives may be justified.

V. Relation to U. N. and OAS Programs

The subcommittee finds that on the whole there is a satisfactory relationship between the bilateral technical assistance program of the United States and the multilateral program of the United Nations. The subcommittee recommends that administrators of the United States program continue their efforts to improve coordination of the two programs and bring about an even closer relationship. Pending a more thorough study of technical assistance in Latin America, the subcommittee makes no findings or recommendations in regard to the technical assistance program of the Organization of American States.

The following table shows the growth of the United Nations expanded technical assistance program since its beginning in 1950 and the record of United States contributions to it:

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Calendar years	Total	United States	United States percentage of total
	Millions	*Millions*	*Millions*
1950–51	$19.9	$12.0	$60.3
1952	18.7	11.4	61.0
1953	22.1	12.8	57.9
1954	24.4	13.9	56.8
1955	28.0	15.0	53.6

NOTE.—Figures for 1950–54 are actual payments. Figures for 1955 are pledges. All figures relate to the U. N. program's central account. They do not include contributions which recipient governments make toward the cost of U. N. technical assistance projects within their own countries.

For 1956, the United States has offered a contribution of $15.5 million provided this does not exceed 50 percent of the total. So far, other pledges total $12.8 million, a figure which it is estimated will increase to $14 million. On the basis of a 50 percent United States contribution, this would provide a total U. N. program of $28 million in 1956, about the same size as in 1955 but with a smaller contribution from the United States.

Compared to the United States bilateral activities, the U. N. program is small, but, in the subcommittee's judgment, highly effective. The subcommittee found few instances of duplication between the two programs and many instances of cooperation. Each program has its place in United States foreign policy.

Although the United Nations and the various specialized agencies had been carrying out small technical assistance activities as a part of their regular work since 1946 (or before in the case of some of the specialized agencies), the U. N. expanded program had its genesis in President Truman's inaugural address in 1949. At that time, in his discussion of point 4, the President said:

> We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable.

Subsequently, the American representative in the U. N. Economic and Social Council took the initiative in a series of studies and actions which culminated in inauguration of the U. N. expanded program in 1950.

As the prime mover in establishment of the U. N. program, therefore, the United States has a special responsibility toward it. In the judgment of the subcommittee, the experience of the U. N. program over 5½ years has confirmed the validity of the reasons which led the United States to participate in it in the first place.

The broad objectives of the U. N. program are the same as those of the United States bilateral program and are in the national interest of the United States for the same reasons. Each program has certain unique features and advantages of its own. So far as the U. N. program is concerned, these advantages are:

1. The multilateral character of the U. N. program affords a means of utilizing the resources of other nations. Although the United States has, until 1956, provided more than half of the money for the U. N. program, still contributions accounting for 40 percent or more of the total have come from other nations. The total number of contributors to the U. N. program increased

from 54 in 1950–51 to 74 in 1954. The U. N. program provides a means of giving other countries an opportunity to participate.

2. A multilateral approach through the U. N. program is particularly appropriate in fields where bilateral efforts are likely to encounter national sensitivities and resistance on the grounds of outside interference. Public administration is one such field. Another, in some countries, is in areas where there is substantial private American investment. These are only examples and do not, of course, apply universally.

3. Although not without its personnel problems, the U. N. program seems to have fewer recruiting difficulties than does the United States program. The principal reason, perhaps, is that the U. N. program can draw upon the entire world—or at least the non-Soviet sectors of it—for technicians. Further, in some fields, such as tropical medicine, other countries have more expertise available than does the United States. In addition, technicians from areas in an intermediate stage of development frequently are able to establish closer rapport with the people of underdeveloped areas. Finally, foreign technicians sometimes have more language skills, particularly in Asian languages, than do Americans.

Administration of the United Nations technical assistance program is tending toward centralization in the Technical Assistance Board, a group composed of representatives of the U. N. itself and of all the specialized agencies which participate in technical assistance. This trend has had a salutary effect in administration of the U. N. program, and the subcommittee recommends that United States representatives in the various U. N. agencies concerned support further moves in this direction. In particular, the subcommittee believes that the authority of the U. N. resident representatives in countries receiving technical assistance should be strengthened. This would improve coordination among the specialized agencies and also between the U. N. and the United States programs. It could also be expected to make for a more well-rounded and a better balanced technical assistance effort.

It is reasonable to anticipate that the Soviet bloc may become increasingly active in the U. N. technical assistance program. This would be in keeping with the clear trend of Soviet policy, though of course no one outside the Kremlin can predict when the zig of Soviet policy will become a zag. When the U. N. technical assistance program was begun, the Soviets refused to have anything to do with it. Since 1953, however, they have been contributing at the rate of 4 million rubles ($1 million at the official exchange rate) a year. Following the master's lead, the Ukraine, Byelorussia, Czechoslovakia, and Poland have also made contributions. In the same period since 1953, the Soviets have increased their participation in the specialized agencies, and they have also embarked on their own bilateral program of cultural and economic relations in Asia and the Middle East.

If Soviet influence in the U. N. technical assistance program were to increase to the point where it would be determinative in shaping the character of that program, the program would no doubt become one which worked against, instead of for, the national interest of the United States. This would also be true, however, of the national interests of all the other non-Soviet states now participating in the program.

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As a practical matter, any such development seems extremely unlikely. One certain way to give it impetus, however, would be for the United States to weaken its support of the U. N. program now in anticipation of growing Soviet influence later. Such action on our part would tend to bring on what we want to prevent.

The subcommittee believes that the United States should continue to support the U. N. program. An increase in the absolute amount of the United States contribution to that program might be justified, if the President and Congress so determined, provided that other countries also increased their contributions and that the United States contribution did not increase percentagewise from its present level of approximately 50 percent. In time this percentage might be reduced still further, but precipitous action to this end should not be taken. The subcommittee notes with approval that in recent years while the percentage of the United States contribution has gradually decreased, the total size of the U. N. program has gradually increased.

VI. Coordination of United States Agencies

The subcommittee is not entirely satisfied with the extent to which the International Cooperation Administration has been integrated with the Department of State. On the basis of its field observations, the subcommitttee feels that this integration has proceeded further in the missions abroad than it has in Washington. It urges the Secretary of State, who is the official primarily responsible, to pursue the matter more vigorously.

The Act for International Development of 1950 placed administration of the technical assistance program in the Technical Cooperation Administration in the Department of State. At the same time, the Economic Cooperation Administration was also carrying on various types of technical assistance activities in countries which were receiving substantial economic-type aid.

In Reorganization Plan No. 7 of 1953, technical assistance and other types of economic aid were made the responsibility of the Foreign Operations Administration. In the Mutual Security Act of 1954, Congress directed that after June 30, 1955, technical assistance should be administered through the Secretary of State.

In response to this and other congressional enactments, the President issued Executive Order 10610, effective June 30, 1955, abolishing FOA and transferring its economic functions to the International Cooperation Administration, a semiautonomous agency in the Department of State.

It appears to the subcommittee—and, indeed, has been confirmed by the Secretary of State in testimony before the subcommittee—that this was largely a paper transfer. The relationships between ICA and the State Department do not differ materially from those which existed between FOA and the State Department. ICA in most respects seems to be FOA with a new set of initials.

The subcommittee believes that some reduction in personnel and administrative expense could be achieved through a further absorption of ICA by the State Department, but the heart of the subcommittee's concern lies in the policy aspects of the matter. So long as technical assistance is a part of our foreign policy, it should be administered by the agency responsible for that foreign policy—namely, the Department of State.

It appears that the Secretary and the Under Secretary of State presently exercise a reasonable degree of policy control over ICA, but the subcommittee would welcome steps by the State Department to assert this control to a greater degree throughout other levels of the administrative hierarchy. The subcommittee does not want to turn the State Department's country desk officers into ICA administrators, but it does feel that closer integration is called for between the two agencies at the country desk level.

The subcommittee also believes that greater steps should be taken to consolidate certain administrative functions common to both agencies—personnel and security systems, for example.

Finally, the subcommittee believes that there have been entirely too many reorganizations of the technical assistance program, and that in part as a consequence of these successive reorganizations, technical assistance has been submerged in, and confused with, much larger programs of economic aid. A tendency has developed in certain quarters to conceive of economic aid as the basic program with technical assistance as an adjunct. The proper conception, in the subcommittee's view, is that which holds technical assistance to be the basic program, with temporary economic aid as an adjunct in certain specifically selected countries. For reasons which will be developed subsequently (see sec. IX), the subcommittee believes that, where technical and economic assistance are both extended to the same country, they should be administered together as an integrated program; but both the administrators and the policymakers should always keep in mind that economic assistance is short-term and technical assistance long-term in character.

VII. Utilization of Private Agencies

The subcommittee recommends that the whole question of the role of private agencies in the technical assistance program, and particularly private contracting procedures, be reviewed by the International Cooperation Administration and the Department of State. This review should take account, among other things, of the experience which our embassies and United States operations missions abroad have had with private contractors.

The subcommittee is impressed with the potentialities of educational institutions, private philanthropic organizations, and private business firms for extending technical assistance to underdeveloped countries.

It is disturbed, however, over the extent and manner of the use of private business contracts by the International Cooperation Administration. There is evidence that these contracts have been resorted to in many instances as a personnel recruitment device and as a means of avoiding Government salary ceilings. The net result, of course, is an increase in cost to the Government, not only in the form of higher salaries and allowances but also in the form of the overhead fee charged by the contractor. A further result is impaired morale on the part of government employees who for lower salaries do the same work as contract employees. Finally, there is a question as to the extent to which contracting impairs Government administrative and policy control.

Private business contracting has its place in a technical assistance program, particularly in highly specialized projects of only a few

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months duration. But the subcommittee has received a number of complaints about the extent to which private contracts are used and the manner of letting contracts. The subcommittee has not been equipped to investigate these complaints thoroughly so as to determine which, if any, are meritorious. The subcommittee has, however, forwarded the information it has accumulated to the Committee on Government Operations for such further examination and action as that committee deems appropriate.

The Congress has repeatedly emphasized the policy that in carrying on the technical assistance program private agencies should be utilized to the maximum extent practicable. The use of business or other organizations as contractual agents of the United States Government is one way to give effect to this legislative intent, but it is by no means the only way and it seems to have been disproportionately emphasized by the administrators of the program. It does not relieve the Government of any of the financial burden of the operation; indeed, through overhead fees and higher salaries it may increase that burden. Cooperation with, and stimulation of, private agencies does relieve the Government of the burden and results in a net increase in technical assistance to underdeveloped countries. This field has not been entirely neglected by the successive Government agencies charged with administering technical assistance, but it could perhaps receive more attention.

ICA's records of private contracts and of contractor performance are in a highly unsatisfactory state. It is evident, however, that private contracting has increased substantially and that, dollarwise, the bulk of the contracts are accounted for by economic aid projects rather than technical assistance activities. This does not, in the subcommittee's view, meet the objective of maximum utilization of private agencies.

American private business has an important role to play in economic development abroad, but only a minor part of this role is as a contractual agent of the United States Government. By far the major part is through acting independently in its own behalf. There are numerous and spectacular examples of technical assistance which has been extended in significant amounts by American business firms operating abroad. In most cases, private foreign investment carries with it a certain amount of technical assistance.

To the degree that private foreign investment increases, therefore, the objectives of the technical assistance program are met in part. It follows that one way for the Government to take advantage of the special qualifications of private business is to do what it appropriately can to stimulate private investment in underdeveloped countries. Such action by the Government is simply another of the tools of foreign policy. Its limitations must be recognized, however.

In administering technical assistance, the International Cooperation Administration and its predecessor, the Foreign Operations Administration, in recent years have made increasing and rather extensive use of contracts with American colleges and universities. These college contracts are usually between an American college and a foreign college and are underwritten by ICA. Their principal advantage is that they create an institutional relationship which, it is

hoped, will endure after the expiration of the contract. The college contract program has not been in operation long enough for conclusive evidence on this point to be accumulated.

In this connection, the subcommittee notes the concern of the colleges themselves over the uncertain future of their role in technical assistance. The Conference on University Contracts Abroad, meeting at Michigan State University November 17–18, 1955, declared that—

> a clear statement of public policy by the United States Government is required in order to provide for effective long-range planning and full integration of the program within contracting institutions.

In elaboration of this resolution, Arthur S. Adams, president of the American Council on Education, wrote to ICA Director John B. Hollister December 9 that—

> The universities, facing increased enrollments and other formidable pressures, are deeply concerned about their ability to plan such an international program without a specific charter from the Government. They are aware that the program is permissive under existing legislation. They seek to determine whether, in fact, our Government proposes specifically to support this program over an extended period. If there is danger of an early termination of this support, they must, in fairness to their primary educational responsibilities in the United States, limit their obligations forthwith.
>
> * * * it is my candid opinion that the continued cooperation of the universities with the ICA in this program is dependent upon that clear statement of public policy called for by the resolutions.

As university participation in technical assistance has increased, so have the demands of the program upon the resources of the universities. It seems to the subcommittee not unreasonable for the universities to want to know whether they should plan to meet these demands on a short-term or long-term basis. The subcommittee recommends that this situation be reviewed in the executive branch and that, if necessary, appropriate legislation be submitted to Congress for further consideration.

Besides private business firms and universities, the various agencies administering the technical assistance program have also used private philanthropic agencies, both through contracts and through the establishment of cooperative relationships. In the instances which the subcommittee has observed, both of these techniques have been highly effective. Perhaps the most spectacular example which has come to the subcommittee's attention is the Veramin Plains project in Iran, which is a noteworthy case of four-way cooperation involving the United States Government, the Iranian Government, the Near East Foundation, and the Ford Foundation.

Many private philanthropic organizations were carrying on technical assistance programs long before the United States Government program began. These groups have accumulated considerable reservoirs of experience and know-how which can be of very great benefit to the Government. In certain instances, also, private groups are not subject to some of the political inhibitions which limit the Government.

The subcommittee hopes that the International Cooperation Administration will continue to look for opportunities for mutually beneficial cooperation with private philanthropic agencies.

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VIII. Degree of Self-Help and Mutual Assistance in Recipient Countries

The subcommittee found a wide variation in the degree of self-help and mutual assistance in countries receiving technical assistance. This did not in all cases correspond to the variation in their capacities for self-help and mutual assistance.

Statistical measurements of these points are more often misleading than revealing. In the case of specific projects, it is sometimes possible, with a fair degree of accuracy, to put a dollar figure on the value of host country contributions and to compare this figure with United States expenditures. But this is too limited a basis on which to evaluate a country program. It does not take account, on the one hand, of related projects which the country may be carrying out entirely with its own funds. Nor, on the other hand, does it take account of other policies of a country which may negate the technical assistance. In the first instance, the subcommittee has in mind a country which contributes to a local project in village improvement and then, with its own resources, applies the results elsewhere. In the second instance, the subcommittee has in mind a country which frustrated a technical assistance project in milk production by financial policies which made the price of beef so high relative to the price of milk that dairy cattle were sold for beef.

More significant than the relative United States—host country expenditures on a particular project in a given year is the trend of those expenditures over a period of years. Many underdeveloped countries may be unaware of their need for technical assistance in certain fields, and may cooperate in a new project in those fields with something less than wholehearted enthusiasm. If the project proves its worth over a period of years, the proportion of local contributions should increase, and finally, the local government should take it over entirely. In most countries outside Latin America, however, the technical assistance program has not been in operation long enough for definite conclusions to be drawn on this point.

The total development expenditures of a country, compared to United States technical assistance expenditures, may also be significant in measuring self-help. In many instances, these total expenditures dwarf the United States technical-assistance program by a ratio sometimes as high as 50 to 1.

Tests such as these, however, cannot be used to compare self-help in one country with self-help in another. In every case, self-help must be related to indigenous capacity and ability. In extremely underdeveloped countries, simply the ability to absorb the technical assistance which is granted is probably all that can be realistically expected.

In short, the subcommittee does not feel that self-help can be adequately measured in monetary terms. What is much more important is the attitude of the recipient country toward its own problems.

The existence of an overall development plan, or the effort to work one out, is one measure of this attitude. Another measure is the willingness of the country to take the steps which are necessary to make the most effective use of its own resources and of whatever outside assistance is available to it. This willingness can rarely be re-

duced to budgetary terms. It may mean, sometimes, the willingness to undertake a real reform program to undergird technical assistance in agriculture. It may mean, in other cases, willingness to revise the tax structure in a way to encourage development and particularly savings and investment. In still other cases, it may mean constructive labor legislation. These examples are only illustrative. The precise list will naturally be different in different countries. The important point is whether a country legitimately tries to solve its own problems or whether it relies on the United States to furnish the assistance necessary to maintain a precarious political and social status quo. The subcommittee feels that the scope of the United States technical assistance program should be related to this point.

The subcommittee interprets "mutual assistance" as used in Senate Resolution 214 to mean the contributions of recipient countries toward the total objectives of United States foreign policy. This requires some elaboration. It must be considered in the context of what those total—as distinguished from specific—objectives are, and the objectives themselves must be realistically related to what is feasibly attainable. In this context, it is a mistake to measure mutual assistance in terms of specific contributions to limited, specific foreign policy goals of the United States. It may sometimes be a mistake, for example, to measure a mutual assistance program solely in terms of a country's willingness to sign a military agreement.

In some instances this kind of mutual assistance has been used as an excuse to dispense with self-help. The general approach of such governments—fortunately not many—is "We are on your side; you have to take care of us." In other instances, a very large degree of self-help is present in the absence of mutual assistance. In still other instances, self-help and mutual assistance occur together. The United States can reasonably expect very little in the form of this kind of specific mutual assistance from most underdeveloped countries. Much emphasis has been put upon military security treaties, but the willingness of a country to sign such a treaty should not necessarily be related to the scope of the United States technical assistance program in that country. Other concrete forms of mutual assistance in most cases boil down to availability of raw materials, and this can be, and is, handled on a commercial basis.

The broader national interests of the United States require a growth in the area of human freedom. (It is perhaps significant that not since 1812 has the United States found it necessary to fight a war with a country which has standards of freedom comparable to our own.) Steps which countries receiving technical assistance take to promote such a growth, either politically or economically, are in the mutual interest of the United States and of the other country concerned. This seems to the subcommittee the most valuable mutual assistance which can reasonably be expected from most underdeveloped countries—namely, a devotion to their own independence and a determination to work out their own problems. If we expect them to refuse to prostitute themselves to the Soviet Union, we must also expect them to refuse to prostitute themselves to the United States. And we are false to our own traditions if we ask them to do otherwise.

A strong, free, and independent Asia is more important to the United States than a collection of weak dependents in the same area.

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IX. Relationship of Technical Assistance, Economic Aid, and Military Assistance

The relationship of technical assistance, economic aid, and military assistance is characterized by confusion in administration and artificial distinctions in policy making.

In regard to policy making, the difficulty stems in large part from the Mutual Security Act which authorizes five different kinds of assistance. These are—

1. Military assistance, which consists of weapons and military hardware.
2. Direct forces support, which consists of soft goods and civilian-type items delivered directly to the armed forces of a country.
3. Defense support, which consists of commodities and capital equipment furnished for the purpose of enabling a country to maintain larger military forces than it would otherwise be capable of doing.
4. Development assistance, which consists of commodities and capital equipment furnished for the purpose of promoting economic development in a country not receiving military assistance.
5. Technical cooperation, which consists of technical advice and demonstration supplies and equipment.

It will be seen at once that many of these categories are distinguished not by the type of aid but by the purpose for which it is rendered. Gasoline is direct forces support if it is delivered directly to the armed forces, but it is defense support if it is furnished to a country's civilian economy to replace gasoline used by the armed forces. And it is development assistance if it is furnished in quantity to a country not receiving military assistance. In each case, it obviously has an effect, either direct or indirect, upon the total economic and military situation of the country in question.

The purpose for which assistance is rendered obviously has a bearing upon congressional determination of whether or not assistance is justified and if so, in what amounts. But once Congress has passed upon the matter, cataloging the same basic type of assistance by different purposes becomes a largely academic exercise. Hence the confusion in administration.

In instances where the Congress has deliberately decided that both technical and economic assistance should be extended to a particular country, the subcommittee does not quarrel with this. But the subcommittee does quarrel with a tendency for technical assistance to become economic assistance in countries for which Congress has appropriated only money for technical assistance. This tendency most frequently manifests itself in an overly lavish use of supplies and equipment in the technical assistance program.

There is implicit in the distinctions in the Mutual Security Act a division of the non-Soviet countries of the world into two categories: Those where the primary objective of the United States is economic development and those where the primary objective is the generation of military strength. This is an unfortunate concept on which to base United States policy toward underdeveloped countries.

The implication is that a country such as Pakistan, which has alined itself on the side of the United States, is to be aided in its economic

development only to the extent necessary to support its military forces and that its purely civilian economy can expect no growth with American help. On the other hand, a country such as India, which avows its neutrality, does receive American help for the specific purpose of civilian economic development.

In practice, of course, defense-support funds in Pakistan and development assistance funds in India are used for the same types of projects, and there is no doubt that the civilian economy of Pakistan does benefit despite the ostensible military purpose for which the aid is extended. But neither is there any doubt that, insofar as the Indian civilian economy benefits from American aid, then the Indian capacity to maintain armed forces is increased. As a further complicating factor, the Pakistani armed forces, which we are aiding directly, and the Indian armed forces, which we are aiding indirectly, are in part facing each other across the ceasefire line in the disputed territory of Kashmir.

A somewhat similar situation prevails in regard to Egypt and Israel. Neither of these countries has military agreements with the United States, and thus neither is eligible for defense support aid. Both, however, are receiving development assistance, and because of that development assistance, both are unquestionably able to maintain larger military forces—principally to defend themselves against each other—than would otherwise be the case.

It is impossible to avoid this sort of collateral effect of assistance, but it seems to the subcommittee that the fine distinctions now drawn by the Mutual Security Act should be removed.

The subcommittee therefore recommends that, in its consideration of mutual security legislation for fiscal 1957, the Congress consider authorizing only three types of aid:

1. Military assistance—i. e., anything from jet planes to shoelaces which is delivered directly to the military forces.

2. Economic assistance—i. e., anything in the form of capital equipment or investment.

3. Technical assistance—i. e., anything in the form of knowledge, techniques, or know-how. (Military training is in one sense technical assistance, but that is excluded from the term as it is used here. Such training activities should come under military assistance.)

The subcommittee further recommends that economic assistance to underdeveloped countries, when desirable, be extended exclusively for purposes of economic development. The dinstinction of purpose between economic assistance and defense support was first drawn in connection with aid to Europe after the end of the Marshall plan proper and at the beginning of the NATO rearmament effort. In this situation, it had some validity. Europe at that time would have been able to handle its own economic problems in the absence of an augmented military effort, and it was this military effort which made further aid desirable. This is not true of most underdeveloped countries.

A further reason for the distinction between economic assistance and defense support may well be the feeling on the part of the administration that something smacking of military aid is easier to sell to Congress, and a feeling on the part of Congress that it is easier to sell to the public.

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The subcommittee feels that both Congress and the public are wiser and more mature than this sort of semantics implies. If the economic development of country X is in the national interest of the United States, then economic assistance can be justified on those grounds without straining the case to cast it into a military mold.

It seems to the subcommittee that, so far as underdeveloped countries are concerned, the proper approach to a determination of the amount and type of assistance should begin with the question of what it is that the United States seeks to accomplish. It is questionable that this would ever be simply the support of military forces.

The emphasis of United States policy in Asia may have been rather too heavily military. The underlying economic and political strength is also important. In this connection, it is worth recalling that the military assistance program under NATO could not have made the progress it has if it had not been preceded by the economic assistance program under the Marshall plan.

Where assistance to underdeveloped countries is indicated at all, therefore, it will probably involve something more than military assistance. This "something more" should be plainly designated as economic assistance or technical assistance and extended as such, even though it might have an ultimate or correlative military purpose.

The point is that even if the United States were interested only in the armed forces of a particular underdeveloped country, this interest would necessarily encompass also an interest in the economy of that country. This is true because most underdeveloped countries are incapable of maintaining significant military forces, or of absorbing significant amounts of military assistance, unless they are also aided economically. Now if economic assistance is extended under the guise of "defense support" for the primary purpose of enabling those countries to maintain bigger military forces than would otherwise be possible, it becomes coterminal in time with military assistance. It will have to be continued as long as we deem it in our interest for forces of that size to be maintained by that country. Economic aid of this type does nothing to improve the country's position beyond support of the military forces and therefore does nothing to make its own discontinuance possible. Assistance aimed at economic development, however, generates a higher level of economic activity and a process of development which will be self-sustaining. It thus ultimately increases the country's capacity to support larger military forces and accomplishes an economic objective in addition.

In underdeveloped countries where the support of military forces is not an objective of the United States, the question arises as to whether either economic or technical assistance is justified on economic or polictical grounds. The subcommittee is inclined to the view that it is worthwhile for the United States to carry on a modest technical assistance program in virtually any non-Soviet country that asks for it. This is based on the belief that the peripheral benefits of technical assistance in terms of opportunities to extend mutual benefits—though small—probably justify small annual expenditures. Beyond this minimum level, the question to be considered is whether the economic development of a given country is in the interest of the United States and whether the ingredients are present to make a program of economic development successful.

If these questions are answered in the affirmative, then the United States should assist in a program of development in any manner which is required to insure its success. This might mean technical assistance; it might mean technical assistance combined with economic aid; it might conceivably mean economic aid alone; or it might mean certain actions in the field of trade and investment policy. The important thing is to decide first the policy to be carried out and then choose the tools to do it. It is idle to debate the tools as though they were the policies.

It is important to recognize, also, that the appropriate tools may very well change as the job progresses. In an extremely underdeveloped country, the absorptive capacity for technical assistance will be very low at the beginning. As the country develops, this capacity will increase. It may, therefore, be advantageous to the United States to increase the supply of technical assistance and perhaps even to furnish some economic assistance.

Technical assistance in amounts larger than would otherwise be indicated may also be necessary in countries where the United States conducts sizable military and economic operations because of pressing political considerations. Technical assistance is frequently required in such cases to enable the country to absorb the other types of aid which it is receiving.

To summarize: The object of technical assistance is economic development. The attainment of this object requires things besides technical assistance. One of these things is the indigenous urge to develop. The United States can have only marginal, if any, influence on this point. But if the local climate for democratic economic development is right, and if technical assistance is available, then it seems to the subcommittee shortsighted to gamble with the failure of the whole enterprise for lack of economic assistance. Technical assistance can be extremely expensive if it is less than fully effective for lack of accompanying capital investment. In the cases where both economic assistance and technical assistance are necessary, the United States should either supply both or neither. Half-way measures are frequently worse than none.

The subcommittee by no means implies that technical assistance should invariably be accompanied by economic assistance. In many cases, the necessary capital investment can be supplied by private business, by international lending agencies, or in some instances by capital within the country receiving technical aid. Further, there are varying degrees of urgency and also of absorptive capacity.

Nor does the subcommittee imply that economic assistance should invariably take the form of grant aid. It may take that form, but such cases are rare. Far more often, it will take the form of long-term, low-interest loans.

Finally, the subcommittee feels it appropriate to distinguish between economic aid as carried out in Europe under the Marshall plan and as it is needed in some few key underdeveloped countries. The two problems are entirely different and to attempt to solve them in the same way would be like a doctor prescribing the same treatment for pneumonia and appendicitis.

The problem in postwar Europe was not one of economic development; it was one of the economic recovery of a highly developed area. Europe had the absorptive capacity and the administrative and

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technical skills to make good use of massive amounts of aid. These conditions do not exist in most underdeveloped countries. Economic development requires an entirely different approach than economic recovery. It therefore seems to the subcommittee unrealistic to talk of a "Marshall plan for Asia."

Asia has serious economic problems, and it is in the interest of the United States to help Asians solve those problems, but the solutions which must be applied are different from those which were used so successfully in Europe.

Another problem which deserves attention, though it is somewhat peripheral to the central point of the subcommittee's study, is the matter of local currency counterpart funds.

The Economic Cooperation Act of 1948 required countries receiving grant aid under the Marshall plan to deposit an equivalent amount of their local currency in a special account. A certain percentage of this account was for the use of the United States in defraying its local currency expenses; the balance was to be used for projects, jointly agreed to by the United States and the recipient country, for furthering economic recovery. Thus, the dollars which the United States appropriated for the aid program would do a kind of double duty—once as dollars and once as foreign currency.

A further advantage of the counterpart fund requirement arose out of the method in which aid was extended—that is, through the government of the recipient country for sale to its people for local currency and not directly from the United States as a gift to the ultimate consumers. A device such as counterpart funds enabled the United States to retain some degree of control over the ultimate use of the local currency which accrued to foreign governments as a result of grant dollar aid. Otherwise, foreign governments would have been presented with budgetary windfalls financed by the United States.

As the various programs of American foreign aid spread from Europe to the underdeveloped parts of the world, counterpart funds, with some modifications, spread with them. Additional local currency, in a slightly different category, has more recently been generated by sales of surplus agricultural commodities.

The subcommittee believes the concept of counterpart funds is sound, but it is disturbed by a tendency which it has observed to furnish dollar aid simply for the sake of generating counterpart. This is indeed a classic case of the tail wagging the dog. In some instances, the reasoning of ICA seems to start from the assumption that what a country needs is more money in its national treasury. This assumption, in turn, leads to a search for types of American aid which would generate the local currency to provide this money.

Obviously, this is precisely the reverse of the process which should take place—namely, that after a clear showing is made that certain types of American dollar aid are needed and would produce results in the national interest, then a search should be made for ways to use the ensuing counterpart. The practice of financing imports for the sake of generating counterpart is especially pernicious when these imports take the form of luxury goods.

The subcommittee realizes that many foreign nations have shortages of their own currency, both for private business investment and for balancing the government's budget. The subcommittee further re-

alizes that the impact of massive foreign aid is inflationary within the recipient country unless steps are taken either to reduce effective demand or to increase the supply of consumer goods. But when this inflationary impact is met by simply furnishing more aid to increase the supply of consumer goods, what it amounts to is that the United States is giving a recipient country so much aid that it has to give still more in order to enable the country to assimilate that which it got in the first place.

The subcommittee hopes it is not necessary to argue the point that obviously our foreign aid programs should not be on any such scale as this. Yet that is the scale which would be required if the attempt was made to transfer the techniques of the Marshall plan to Asia. Indeed, there is already evidence of it in a few countries.

There are extreme instances when such action may be justified by urgent military or political situations. An example would be Korea during and immediately after the period of hostilities. But such examples are very rare. American aid cannot take the place of sound fiscal policies within a recipient country.

It should be made clear that technical assistance, as such, does not generate counterpart. Technical assistance agreements, however, do provide for contributions to the program from the recipient country. These contributions usually take the form of local currency, office space and equipment, the salaries of local personnel, and some types of supplies and equipment. In at least one instance that the subcommittee knows of, counterpart generated by economic aid has been used as the local government's matching contribution to United States technical assistance.

It is conceivable that in some circumstances technical assistance would be the best use to which counterpart could be put. But the sort of arrangement described above raises grave doubts as to whether the economic aid in question was not in fact furnished primarily to generate the counterpart needed for technical assistance. The subcommittee strongly deprecates such action.

X. Effectiveness of the Administration of Technical Assistance in Advancing the Foreign Policy of the United States

The subcommittee finds that although the administration of technical assistance has been helpful in advancing the foreign policy of the United States, it has not been as effective as it might be.

Some of the factors involved in this conclusion have been discussed earlier in this report—inadequate planning, a tendency to attempt to accomplish too much too soon, insufficient attention to the absorptive capacity of recipient countries and to the social and political implications of technical change.

On the whole, the program has been of greater technical than political effectiveness. Political results are, of course, more difficult to measure and also take longer to manifest themselves. The subcommittee does not intend to imply that the program has been totally ineffective in advancing the foreign policy of the United States. Such a conclusion would call for a recommendation that the program be abandoned. On the contrary, the subcommittee believes the program has been effective in advancing American foreign policy and that it should be continued and strengthened. The subcommittee's point is that the program could be even more effective.

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One of the principal ways in which this could be done is through relating the program's activities more precisely to the foreign policy objectives of the United States. A perceptive American put it this way on the basis of his observation of the technical assistance program in a number of underdeveloped countries:

> * * * I have no doubt at all that technical assistance, if administered with commonsense and if the programs are meshed into gear with our foreign policy objectives, can do much to further the foreign policy of the United States. However, speaking of my observation of technical assistance in general * * * I should say that it is a frequent and no doubt natural impulse on the part of our experts to advocate grandiose programs in a variety of fields simply because the experts are carried away by their enthusiasm for their own speciality. I recall in Egypt, for example, part of the TCA mission who were riding off hell for leather across the desert to plant grasses where no grass had grown since the great Pyramids of Cheops were erected, while in other parts of that interesting country other zealots were urging the bewildered fellaheen to dig pit privies. None of these projects had the slightest effect on the foreign policy of the United States. However, if * * * our technical assistance programs are carefully tailored to the requirements of a country, and if we follow the rule of doing first things first and not everything all at once, in return for that standard of competence by the recipient country which I insist is a necessary requisite to our granting aid, I believe that these various forms of technical assistance can be a new intelligent and vital adjunct to American diplomacy.

This is one reason the subcommittee is so insistent about a further integration of the International Cooperation Administration with the Department of State. The effectiveness of any single tool of foreign policy is limited. Although each, in the appropriate circumstances, can contribute to attainment of the total foreign policy objectives of the United States, none can achieve those objectives in and of itself.

It is as important to recognize the limitations of a program as to recognize its potentialities. Failure to do this in the period following enactment of the Act for International Development in 1950 led to many unrealistic expectations in regard to technical assistance, particularly in some underdeveloped countries. The process of bringing these extravagant hopes down to earth has been a rather painful one in some instances.

There are two limitations on technical assistance which deserve more attention than they have always received. One of these is the absorptive capacity in recipient countries which has already been discussed at some length. The other is the supply of American technicians and administrators to carry out the program.

This supply is extremely short, and ICA and its predecessors have encountered severe difficulties in recruiting personnel for the program at its past and present levels. This is one reason the subcommittee does not recommend an expansion of the program.

The American engaged in technical assistance abroad should be first of all, of course, competent in his own specialty. In addition, ideally, he should also be familiar with the language, customs, and problems of the country to which he is assigned. Finally, he should be of a temperament which allows easy adjustment to different, and frequently difficult, environments, and he should combine a sympathetic understanding of the people among whom he is working with enthusiasm for his job. These last characteristics should be shared by his family. The technician should, in short, be not only a technician but also something of a linguist, a diplomat, a teacher, a sociologist, a cultural anthropologist, and a missionary.

The number of Americans who meet all of these qualifications is not large, to put it mildly. It is particularly difficult to find people with a knowledge of Asian languages—so difficult, in fact, that if this requirement were insisted upon technical assistance could hardly be carried out at all in some countries. Thorough orientation and briefing procedures can supply an initial workable familiarity with the customs and problems of a country, and with a real effort the language can be picked up in the course of the technician's assignment More attention should be given to this language problem. There are few better ways to establish rapport with a foreigner than to attempt to converse with him in his own language, even though it be spoken in a bad accent with worse grammar. Longer assignments than the present standard of 2 years would be helpful in this respect. On the other hand, there are even fewer Americans willing to live 4 years in some underdeveloped countries than there are those who are willing to live 2 years in such environments.

Although a knowledge of customs, and even of language, can be acquired by a technician, and can therefore be waived to some extent in the recruitment process, the equally important characteristics of temperament and adaptability cannot be acquired if they do not already exist to a high degree. These characteristics should be insisted upon by ICA. It is better not to attempt a technical assistance project at all than to attempt it with technicians who irritate and offend the people they are supposed to help.

The basic problem of recruiting for technical assistance is the nationwide shortage in the United States of qualified people. Many of the limited number who are qualified have other jobs which they are unwilling to leave and which in many cases are as much in the national interest as is the technical assistance program. The problem involves the whole question of national policy toward the development and utilization of technical personnel and as such far transcends the scope of this subcommittee's assignment.

XI. Conclusion

Technical assistance on a government-to-government basis is still a relatively new concept. Outside Latin America, the oldest country program has been underway scarcely 5 years. This is a brief period in which to launch and evaluate a long-range effort with as many implications as technical assistance. It has, in addition, been an extremely unsettled period with wars and threats of wars dominating the international scene and upsetting many otherwise well-laid plans for economic development.

In these circumstances, it is perhaps only natural that the technical assistance program has not produced all the results of which it is potentially capable. Some of the money which the United States has invested in technical assistance over the last 5 years has been wasted; but this should not obscure the fact that most of the money has produced results in the national interest of the United States.

This report ends, as it began, on this note of the American national interest which, the subcommittee repeats, is the only valid test of a foreign policy. There has occasionally been some reluctance to apply this test in direct and specific terms to technical assistance. This reluctance stems, in part, from a feeling that such application lends

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credence to Communist propaganda that American aid programs of whatever kind are tools of imperialism designed to impose American dictates on newly independent countries. This reluctance is self-defeating in two respects.

First, it induces skepticism of our real motives on the part of underdeveloped countries. The people of these countries are not prepared to believe that we are wholly altruistic. When we are not perfectly frank about our real motives, they are more likely to give credence to the Communist version.

Second, this reluctance results in lack of understanding among the American people themselves. This accounts in part for the opposition to technical assistance and other forms of foreign aid as giveaway programs.

There is no reason for the United States to be at all hesitant about justifying the technical assistance program on the basis of its real motivation; namely the national interest. Far from imposing American imperialism on underdeveloped countries, as the Communists allege, the American national interest is in fact anti-imperialistic. Attempts to use the technical assistance program as an instrument of imperialism would produce the precise opposite of the results sought.

This report has attempted to show that in many respects the national interests of the United States and of the underdeveloped countries coincide. So long as these countries retain freedom, independence, and economic growth as their national goals, the achievement of those goals is in our interests as well as theirs. This is the sense in which technical assistance is a mutual, cooperative undertaking promoting the enlightened self-interest of all concerned.

Although some mistakes and some false starts have been made in the technical assistance program in the last 5 years, there has also been progress in learning from the mistakes and in identifying the problems involved in a program of this character. In a number of countries, the technical assistance program has taken root. It would be a grievous error if, because of past mistakes, these roots were now destroyed. If the program is given sensible administration and if it is properly related to the overall objectives of our foreign policy, it can be reasonably expected to produce more results in the future than it has in the past. This is so not only because we can learn from past mistakes but also because the results of technical assistance are cumulative.

The concept of technical assistance is sound. Despite some waste, the investment which the United States has made in the program is also sound. The results to date justify further investment; indeed, the dividends from the investment already made will not be fully realized unless the program is continued.

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84TH CONGRESS
2d Session
SENATE
REPORT
No. 1958

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

REPORT

OF THE

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES CONGRESS OF THE UNITED STATES

PURSUANT TO

SECTION 601 OF THE REVENUE ACT OF 1941

ON

UNEXPENDED BALANCES

Foreign Aid

MAY 7, 1956.—Ordered to be printed

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CONGRESS OF THE UNITED STATES

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CREATED PURSUANT TO SECTION 601 OF THE REVENUE ACT OF 1941

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84TH CONGRESS } SENATE { REPORT
2d Session } { No. 1958

UNEXPENDED BALANCES, FOREIGN AID

MAY 7, 1956.—Ordered to be printed

Mr. BYRD, from the Joint Committee on Reduction of Nonessential Federal Expenditures, submitted the following

REPORT

[Pursuant to sec. 601 of the Revenue Act of 1941]

INTRODUCTION

This is the second of a series of three reports by the Joint Committee on Reduction of Nonessential Federal Expenditures, showing estimated balances available to Federal agencies by budget appropriation accounts.

This second report summarizes balances in all Federal accounts, except trust and deposit funds, and details foreign aid program balances.

The first report set forth balances in military accounts. The third report will show balances in domestic-civilian accounts.

All figures in this report are based upon figures in the budget document for fiscal year 1957 (H. Doc. 256, 84th Cong., 2d sess.).

SUMMARY OF ALL BALANCES

Federal agencies, military, foreign aid and other, will start fiscal year 1957 on July 1, 1956, with unexpended balances in appropriations and other spending authority enacted in prior years totaling $74.6 billion. This is exclusive of new appropriations and authorizations for fiscal year 1957 to be enacted during the 2d session of the 84th Congress.

The President in his budget message of January 16, 1956, requested new appropriations and other spending authority totaling $66.3 billion for fiscal year 1957. If this request should be fully enacted, total funds available for expenditure by Federal agencies at the beginning of fiscal year 1957 would be $140.9 billion.

The President estimated in the budget document that Federal expenditures in fiscal year 1957 would total $65.9 billion, of which $42.7 billion would be spent from new appropriations and authorizations enacted in the 2d session of the 84th Congress, and $23.2 billion would

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be spent out of unexpended balances in old authorizations enacted in prior years.

Of the $74.6 billion in unexpended balances to be carried over into fiscal year 1957, on July 1, 1956, $40.9 billion will be obligated and $33.7 billion will be unobligated.

Assuming full enactment of the President's requests for new appropriations and other expenditure authorizations, $100 billion would be unobligated as of the beginning of the new fiscal year.

Of the new appropriations and authorizations $23.6 billion would be carried over into fiscal year 1958, beginning July 1, 1957, as unexpended balances for expenditure in future years. Total unexpended balances at the start of fiscal year 1958, on July 1, 1957, are estimated in the President's budget at $73.7 billion, of which $45.6 billion would be obligated and $28.1 billion would be unobligated. Appropriations enacted in the next session of Congress would be added to the unobligated total.

These balances, which include some $7.8 billion in standby authority to expend from public debt receipts contingent upon economic factors, will be available in the following categories of spending authority:

TABLE I.—*Unexpended balances available at start of fiscal years 1957 and 1958, by types of authority showing amounts obligated and unobligated*

[In millions]

Types of authority	Fiscal year 1957					Fiscal year 1958 unexpended balances, start of year		
	Unexpended balances, start of year			New obligational authority	Total available for expenditure			
	Obligated	Unobligated	Total			Obligated	Unobligated	Total
Appropriations	$33,090	$14,352	$47,442	$57,867	$105,309	$30,775	$10,193	$40,968
Reappropriations				20	20			
Appropriations for liquidation of prior contract authorizations				−984	−984			
Authorizations to expend from public debt receipts	6,001	13,771	19,772	482	20,254	6,190	11,850	18,040
Contract authorizations	1,287	1,536	2,823	274	3,097	1,439	606	2,045
Revolving and management funds[1]	409	3,964	4,373		4,373	582	4,619	5,200
Authorizations proposed for later transmission	110	54	164	8,632	8,796	6,600	851	7,451
Total	40,897	33,676	74,574	66,291	140,865	45,586	28,118	73,705

[1] Including U. S. Government securities held.

NOTE.—Figures are rounded and will not necessarily add to totals.

FOREIGN AID BALANCES

The President's budget document does not provide detail for foreign aid appropriations for fiscal year 1957, beginning July 1. Instead of showing in detail the new requests and estimates for fiscal year 1957, the budget foreign aid appropriation presentation for next year is in three one-line estimates pending enactment of basic legislation.

This report is based on figures in the budget document, and for this reason it shows the status of balances in foreign aid appropriations in three broad categories: (1) military assistance, (2) direct forces support, and (3) other mutual security (economic and technical) aid. In addition, the budget shows in detail the expenditure authorization for discharge of investment-guaranty liabilities.

Continuing authorization

Funds for discharge of investment guaranty liabilities are made available from public debt receipts under authorization for continual obligation and expenditure regardless of time until a $200 million limitation is exhausted.

Annual appropriations

Funds for all other programs (except the foreign investment guaranty program) actually are made on an annual basis under which availability of unobligated funds ordinarily expires at the end of the year for which the appropriation is enacted.

Reservations

Programs financed by military assistance appropriations have been developed along lines which may be described as—

(1) Procurement of "common items" (materials needed for both United States forces and mutual defense assistance program (MDAP) procured from normal supply sources through regular military appropriation accounts); and

(2) Procurement of "special items" (materials for MDAP procured directly with military assistance funds).

Funds within the military assistance appropriation for procurement under so-called "common item" orders are an exception to the rule that unobligated balances in annual appropriations expire at the end of the year for which the appropriation was made.

Under section 110 of the Foreign Aid Appropriation Act for fiscal year 1955, and later under section 108 of the Foreign Aid Appropriation Act for fiscal year 1956, balances in annual military assistance appropriations for procurement under so-called "common item" orders are established as "reservations" and are kept available until June 30, 1958, for "reimbursement" to United States military agencies which execute the procurement.

"Reserved" balances

In accordance with this legislative authority, as interpreted by the Comptroller General, the President's 1957 budget shows "reserved" balances of prior year military assistance appropriations as available for obligations in the Department of Defense accounts.

Therefore, in this series of reports on unexpended balances in Federal appropriations and other expenditure authorizations, which follows the President's budget, "reservations" in prior-year foreign-aid funds are regarded as balances available to military agencies furnishing goods and services to the military assistance program.

It was not feasible to include new "reservations" from 1957 foreign aid appropriations yet to be enacted in the previous report on military balances, except by footnote reference, because the detailed data is not included in the President's budget presentation of Department of Defense accounts.

Pending more detailed information, which is unavailable until new basic legislation on foreign aid is enacted, the budget's one-line estimate of funds to be "reserved" from 1957 foreign aid appropriations is included in this report.

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Foreign Aid Program Components

Unexpended balances in appropriations and other expenditure authorizations for foreign aid are described by component programs as follows:

MILITARY ASSISTANCE

Under the conditions enumerated, and in view of notations in the President's budget that the Department of Defense had failed to comply with section 1311 of the Supplemental Appropriation Act of 1955, requiring certification of balances, the status of military assistance balances in foreign aid funds appears to be as follows:

Table II.—*Military assistance balances and "reservations"*

[In billions]

	Unexpended balance, start of fiscal year 1957	New fiscal year 1957 appropriations	Total	Expenditures, fiscal year 1957	Unexpended balance, start of fiscal year 1958
"Unreserved"	$1.4	$1.0	$2.4	$0.9	$1.5
Prior year "reservations" for "common items" procured by Department of Defense [1]	3.1	----------	3.1	1.2	1.9
Fiscal year 1957 proposed "reservations" for "common items" procured by Department of Defense	----------	1.6	1.6	.2	1.4
Total	4.5	2.6	7.1	2.3	4.8

[1] "Reservations" against prior-year military assistance appropriations are shown in the budget document and in the previous committee report (Unexpended Balances, Department of Defense) as available for obligation by military agencies which execute the procurement. Included here for information to show the foreign aid military assistance program in its entirety.

1. The foreign aid accounts for military assistance will start fiscal year 1957 on July 1 with unexpended balances in old appropriations totaling $4.5 billion, broken down as follows:
   (*a*) $1.4 billion "unreserved"; and
   (*b*) $3.1 billion "reserved" in old appropriation balances.
2. New 1957 appropriations requested in the budget for foreign aid military assistance total $2.6 billion, broken down as follows:
   (*a*) $1 billion "unreserved"; and
   (*b*) $1.6 billion proposed to be "reserved."
3. Assuming full appropriation of the budget request, foreign aid accounts for military assistance will start fiscal year 1957 on July 1 with spending authority totaling $7.1 billion, broken down as follows:
   (*a*) $2.4 billion "unreserved";
   (*b*) $3.1 billion "reserved" in old appropriation balances; and
   (*c*) $1.6 billion proposed to be "reserved" from new appropriations.
4. Of the $7.1 billion available for military assistance, it is estimated that $2.3 billion will be spent during fiscal year 1957, as follows:
   (*a*) $0.9 billion from "unreserved" funds;
   (*b*) $1.2 billion from balances "reserved" in old appropriations; and
   (*c*) $0.2 billion from new appropriations proposed to be "reserved."

5. An unexpended balance of $4.8 billion will be carried over into fiscal year 1958, beginning July 1, 1957, broken down as follows:

(*a*) $1.5 billion "unreserved";

(*b*) $1.9 billion "reserved" from appropriations enacted prior to fiscal year 1957; and

(*c*) $1.4 billion proposed to be "reserved" from fiscal year 1957 appropriations.

6. Of the $4.8 billion unexpended balance in old appropriations at the start of fiscal year 1958, $1.5 billion will be obligated for the procurement of "special items" and $3.3 billion will be unobligated but "reserved" for reimbursement to military agencies for procurement of "common items." This compares with the unexpended balance of $4.5 billion at the start of fiscal year 1957, $1.3 billion obligated and $3.2 billion unobligated, including $3.1 billion "reserved."

DIRECT FORCES SUPPORT

1. The foreign aid account for direct forces support will start fiscal year 1957 on July 1 with unexpended balances in old appropriations totaling $0.2 billion.

2. New appropriations requested in the budget for foreign aid direct forces support total $0.4 billion.

3. Assuming full appropriation of the budget request, foreign aid accounts for direct forces support will start fiscal year 1957 on July 1 with spending authority totaling $0.7 billion.

4. Of the $0.7 billion available for direct forces support, it is estimated that $0.3 billion will be spent during fiscal year 1957 and an unexpended balance of $0.4 billion will be carried over into fiscal year 1958.

5. All of the $0.4 billion unexpended balance to be carried over into fiscal year 1958, under present policy, will be obligated because this is an annual program. The unexpended balance brought forward into fiscal year 1957 totaled $0.2 billion, all obligated.

OTHER MUTUAL SECURITY (ECONOMIC AND TECHNICAL) AID

1. The foreign aid accounts for other mutual security (economic and technical) aid will start fiscal year 1957 on July 1 with unexpended balances in old appropriations totaling $1.7 billion.

2. New appropriations requested in the budget for other mutual security (economic and technical) aid total $1.9 billion.

3. Assuming full appropriation of the budget request, the foreign aid accounts for other mutual security (economic and technical) programs will start fiscal year 1957 on July 1 with spending authority totaling $3.5 billion.

4. Of the $3.5 billion available for other mutual security (economic and technical) aid it is estimated that $1.8 billion will be spent during fiscal year 1957 and an unexpended balance of $1.7 billion will be carried over into fiscal year 1958.

5. With few exceptions, involving relatively small amounts of money, economic assistance programs are carried out on an annual basis. For this reason all of the $1.7 billion unexpended balance carried over into fiscal year 1958, under present policy, will be obligated. The unexpended balance carried forward into fiscal year 1957 totaled $1.7 billion, including $0.1 billion unobligated.

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DISCHARGE OF INVESTMENT GUARANTY LIABILITIES

Among other foreign aid programs there are some in which the Federal Government underwrites certain private enterprises abroad against "inconvertability of local currency receipts from investments" and "loss of investment resulting from expropriation or confiscation." Provision for expenditure against these guaranties is made in authorization to expend from public debt receipts.

1. The foreign aid account for discharge of investment guaranty liabilities will start fiscal year 1957 with an unused authorization to expend from public debt receipts totaling $180 million.

2. Of the $180 million available for discharge of investment guaranty liabilities, it is estimated that net expenditures will total $2 million during fiscal year 1957, and unused authorization of $175 million will be carried over into fiscal year 1958.

3. Of the $175 million unused authorization to expend from public debt receipts at the start of fiscal year 1958, the budget estimates all but $50,000 will be obligated. This compares with unused authorization at the start of fiscal year 1957 on July 1 of this year of $180 million, $132 million obligated and $48 million unobligated.

TOTAL FOREIGN AID

1. Foreign aid accounts will start fiscal year 1957 on July 1 with unexpended balances in old appropriations and other expenditure authorizations totaling $6.6 billion, broken down as follows:

(*a*) $3.5 billion "unreserved"; and

(*b*) $3.1 billion "reserved" in old appropriation balances for military assistance.

2. New appropriations requested in the budget for foreign aid total $4.9 billion, broken down as follows:

(*a*) $3.3 billion "unreserved"; and

(*b*) $1.6 billion proposed to be "reserved" for military assistance.

3. Assuming full appropriation of the budget request, foreign aid accounts will start fiscal year 1957 on July 1 with spending authority totaling $11.5 billion, broken down as follows:

(*a*) $6.8 billion "unreserved";

(*b*) $3.1 billion "reserved" in old appropriation balances for military assistance; and

(*c*) $1.6 billion proposed to be "reserved" from new appropriations for military assistance.

4. Of the $11.5 billion available for foreign aid accounts it is estimated that $4.3 billion will be spent during fiscal year 1957, as follows:

(*a*) $2.9 billion from "unreserved" funds;

(*b*) $1.2 billion from balances "reserved" in old appropriations for military assistance; and

(*c*) $0.2 billion from new appropriations for military assistance proposed to be "reserved."

5. An unexpended balance of $7.2 billion will be carried over into fiscal year 1958, beginning July 1, 1957, broken down as follows:

(*a*) $3.9 billion "unreserved";

(*b*) $1.9 billion "reserved" from appropriations for military assistance enacted prior to fiscal year 1957; and

(c) $1.4 billion proposed to be "reserved" from fiscal year 1957 appropriations for military assistance.

6. Of the $7.2 billion unexpended balance in old appropriations at the start of fiscal year 1958, $3.9 billion will be obligated for the procurement of "special items" and $3.3 billion will be unobligated but "reserved" for reimbursement to military agencies for procurement of "common items." This compares with the unexpended balance at the start of fiscal year 1957 of $6.6 billion, $3.2 billion obligated and $3.4 billion unobligated including $3.1 billion "reserved."

Tabular Presentation

The fiscal situation with respect to foreign aid in terms of balances in old authority for expenditure and requests for new authorizations, as compiled from the President's budget document, showing the total and the deductions of military assistance amounts "reserved," is summarized as follows:

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TABLE III.—*Funds available for expenditure, expenditures and balances, foreign aid programs, fiscal year 1957*

	Unexpended balance, as of July 1, 1956			New fiscal year 1957 appropriations	Total	Expenditures, fiscal year 1957			Unexpended balance as of July 1, 1957
	Obligated	Unobligated	Total			Out of prior year authorizations	Out of current year authorizations	Total	
Military assistance:									
"Unreserved"	$1,334,624,915	$85,000,000	$1,419,624,915	$1,005,000,000	$2,424,624,915	$764,000,000	$140,000,000	$904,000,000	$1,520,624,915
Prior-year "reservations" for "common items," procured by Department of Defense [1]		3,105,448,810	3,105,448,810		3,105,448,810	1,186,000,000		1,186,000,000	1,919,448,810
Fiscal year 1957 proposed "reservations" for "common items" procured by Department of Defense				1,550,000,000	1,550,000,000		160,000,000	160,000,000	1,390,000,000
Total military assistance	1,334,624,915	3,190,448,810	4,525,073,725	2,555,000,000	7,080,073,725	1,950,000,000	300,000,000	2,250,000,000	4,830,073,725
Direct forces support	221,759,670		221,759,670	445,000,000	666,759,670	150,000,000	100,000,000	250,000,000	416,759,670
Other mutual security (economic and technical) aid	1,539,674,169	125,300,000	1,664,974,169	1,860,000,000	3,524,974,169	1,200,000,000	590,000,000	1,790,000,000	1,734,974,169
Discharge of investment-guaranty liabilities	132,500,000	47,939,988	180,439,988		180,439,988				[2] 175,101,988
Funds applied to operations						6,000,000		6,000,000	
Total	3,228,558,754	3,363,688,798	6,592,247,552	4,860,000,000	11,452,247,552	3,306,000,000	990,000,000	4,296,000,000	7,156,909,552
Deduct: Receipts of public-enterprise funds: Discharge of investment-guaranty liabilities						4,462,000		4,462,000	
Total	3,228,558,754	3,363,688,798	6,592,247,552	4,860,000,000	11,452,247,552	3,301,538,000	990,000,000	4,291,538,000	7,156,909,552
Deduct: Military assistance: Prior year "reservations" for "common items" procured by Department of Defense, shown above [1]		3,105,448,810	3,105,448,810		3,105,448,810	1,186,000,000		1,186,000,000	1,919,448,810
Net total	3,228,558,754	258,239,988	3,486,798,742	4,860,000,000	8,346,798,742	2,115,538,000	990,000,000	3,105,538,000	5,237,460,742

[1] "Reservations" against prior-year military assistance appropriations are shown in the budget document and in the previous committee report (Unexpended Balances, Department of Defense) as available for obligation by military agencies which execute the procurement. Included here for information to show the foreign aid program in its entirety.

[2] Excludes $3,800,000 of balances no longer available.

Source: Budget document for fiscal year 1957, pp. 77-90 and pp. 98-99, tables showing "Program and financing", "Budget authorizations, expenditures, and balances", "Statement of source and application of funds", and "Statement of financial condition" by foreign aid appropriation accounts under "Funds appropriated to the President"; and "Summary of military assistance fund reservations for payment to Department of Defense appropriations," p. 604.

TABLE IV.—*Unobligated balances in funds available to foreign aid programs, fiscal year 1957*

	Unobligated balance, prior year authorizations, July 1, 1956	New appropriations	Total	Estimated obligations, fiscal year 1957	Unobligated balance, beginning of fiscal year 1958 July 1, 1957
Military assistance:					
"Unreserved"	$85,000,000	$1,005,000,000	$1,090,000,000	$1,090,000,000	
Prior-year "reservations" for "common items" procured by Department of Defense [1]	3,105,448,810		3,105,448,810	1,186,000,000	$1,919,448,810
Fiscal year 1957 proposed "reservations" for "common items" procured by Department of Defense		1,550,000,000	1,550,000,000	160,000,000	1,390,000,000
Total, military assistance	3,190,448,810	2,555,000,000	5,745,448,810	2,436,000,000	3,309,448,810
Direct forces support		445,000,000	445,000,000	445,000,000	
Other mutual security (economic, and technical) aid	125,300,000	1,860,000,000	1,985,300,000	1,985,300,000	
Discharge of investment guaranty liabilities	47,939,988	[2] (4,462,000)	47,939,988	[3] (6,000,000)	[4] 50,000
Total	3,363,688,798	4,860,000,000	8,223,688,798	4,866,300,000	3,309,498,810
Deduct: Military assistance: Prior-year "reservations" for "common items" procured by Department of Defense, shown above [1]	3,105,448,810		3,105,448,810	1,186,000,000	1,919,448,810
Net total	258,239,988	4,860,000,000	5,118,239,988	3,680,300,000	[4] 1,390,050,000

[1] "Reservations" against prior-year military assistance appropriations are shown in the budget document and in the previous committee report (Unexpended Balances, Department of Defense) as available for obligation by military agencies which execute the procurement. Included here for information to show the foreign aid program in its entirety.

[2] This is a so-called "business enterprise" type program. Transactions are shown for information on the basis of "funds provided" in lieu of new appropriations. The figures are excluded from the totals.

[3] This is a so-called "business enterprise" type program. Transactions are shown for information on the basis of "funds applied" in lieu of obligations. The figures are excluded from the totals.

[4] Excludes $3,800,000 of balances no longer available.

Source: Budget document for fiscal year 1957, pp. 77–90 and pp. 98–99, tables showing "Program and financing", "Budget authorizations, expenditures, and balances", "Statement of source and application of funds", and "Statement of financial condition", by foreign aid appropriation accounts under "Funds appropriated to the President"; and "Summary of military assistance fund reservations for payment to Department of Defense appropriations," p. 604.

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